THE SOLUTION OF UNEMPLOYMENT

OR

POSTULATES AND IMPLICATIONS

OF

THE SOCIAL CREDIT THEOREM

OF

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BY

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PREFACE.

Except for a few pages in the text and part of the Appendices, this book has been put together during three months, necessarily in the ordinary leisure from business and an annual holiday. Inevitably, therefore, it has not been possible to develop certain points the reader will recognize as deserving of fuller treatment. An attempt has been made accordingly in the Appendices, and elsewhere, to put those interested on the track of confirming for themselves the conclusions adumbrated or attained within the essay. This book was being printed, for example, when Mr. Arthur Kitson's article appeared in the November *National Review* and that of M. Jules Decamps was published in the *Revue de Paris*, so that, if the writer may be permitted the presumption, he would point out that they amply confirm the suggested trend of financial policy. At the same time, various other important points have been worked over with some repetition and expanse of detail, in order that the more general and uncommercial reader may be furnished with facts and criticisms based upon first hand evidence or experience.

No one may lay down the pen, after an attempt to discuss Social Credit, without homage and tribute to its " only begetter " in Major C. H. Douglas, whose prognosis, as well as diagnosis, of the present economic breakdown has shown such disturbing and uncanny accuracy. The writer would like to acknowledge also with gratitude the perusal of the writings of Mr. Arthur Kitson, Mr. C. P. Isaac and Mr. M. Flürscheim, while for current events the *New Age* and *Forward* are pre-eminent in the provision of evidence vital to the study of Finance.

For various data of particular importance, the essayist would thank especially Mr. J. Adamson, Mr. J. Cross, Mr. George Nelson, Mr. S. Crouch and Mr. Philip J. Ryan of Newcastle-on-Tyne, and also Mr. J. Wilson, A.M.I.M.E.,

of Sunderland. Valuable facts in Production were kindly put at his disposal by Miss M. Alexander (Hon. Sec. of the Social Credit Movement) and Mr. A. L. Gibson of Sheffield. It is a pleasure also to record the constant assistance in the preparation and typing of the MSS. by Miss L. J. Eggie, and the considerable pains and very useful suggestions given by Mr. R. Robinson, of the Publishers, in seeing it through the press.

Lastly, for help in the reading of the proofs and much valuable criticism, I am under obligation to my father, Rev. W. Wakinshaw, to whose inspiration and encouragement I am overwhelmingly indebted also in the lightening and achievement of my task.

W. H. W.

Newcastle-upon-Tyne,
November, 1924.

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INTRODUCTION.

It was the pride of Socrates that he was only assisting to bring into the world ideas that all men were eager to accept and revere, if they could but gaze upon them. To-day in Economics and Civilization we are

> Wandering between two worlds—one dead
> The other powerless to be born,

until the maieutic art is adequate to its task. This essay is an attempt to contribute to the solution of that task—which lies in the acceptance and practice of Douglasism. This is the scientific control and development of our Money or Distributive system, so that we may release and receive our full possibilities of Production, with the consequent liberation of Humanity into a New World and a New Era that by comparison shall reveal even the age of Pericles and the Renaissance as but the fell gloom of "uncreated night."

There are three outstanding principles implicit and explicit in the Theory of Social Credit and its working, as discovered by Major C. H. Douglas: they are:—

(1) That the end and aim of an economic system is to provide goods and services for the Many, rather than profit and power for the Few; these goods and services are only the basis of the Aristotelian "good life," which is the final desire and object of all civilized mankind. The conventional programmes therefore of "employment" and "trade" are due simply to muddled thinking or, alternatively, to a deliberate attempt of a potent but fallible oligarchy to perpetuate dominion over the minds and bodies of their fellow-men.

(2) That all Money is invariably nothing else but Goods-Tickets: its expansion can be indefinite, and should be therefore exactly *pari passu* with the net gain in the production of new goods, neither more nor less. Equally,

if through the stupidity or deliberate policy of its monopolists—as now—there is an inadequate supply, it is the limiting factor of economic development, and Mankind may be suffering from what is apparently an inability to produce Goods, when in reality there is merely a shortage of Goods Tickets. Goods take time—sometimes weeks and months to produce. Tickets are a matter of hours.

(3) That there is only one point of intersection between Goods and Goods Tickets—the Price—and that to avoid the Scylla of progressive Deflation and the Charybdis of Inflation, the appropriate adjustment must be made in the Price. If there is a certain amount of Goods in existence, they require a certain amount of *Goods-Tickets* (Money) to circulate, distribute or purchase them. Either more or less is wrong. Accordingly if Goods are at any time destroyed or consumed, the corresponding Tickets should be withdrawn or cancelled—so as to maintain the exact and requisite equilibrium. But there is a Net Increase every time Goods are made: clearly, therefore, there should be a proportionate increase of Goods-Tickets, neither more nor less. This is obtained by the famous Douglas Price Factor, which by calculating and furnishing the extra Tickets simultaneously with the Goods, releases us from our economic fallacy, now in consequence silently but relentlessly hurrying Humanity into a second and even greater World-conflict.

THE SOLUTION OF UNEMPLOYMENT.

CHAPTER I.

The Aim of Economics.

A state is not to be termed happy in regard to a portion of the citizens, but in regard to them all.

Aristotle.

The most complete victory ever gained in arms has failed to solve the European problem, or remove the dangers which produced the war.

Winston Churchill. *The World Crisis.*

Those who govern having much business on their hands, do not generally like to take the trouble of considering and carrying into execution new projects. The best public measures are therefore seldom adopted from previous wisdom, but forced by the occasion.

Benjamin Franklin.

The last century has seen the rise and establishment of various new sciences, such as bacteriology, metallurgy, radiology, comparative religion, and anthropology, whose conception would have been scorned in earlier times though their fundamental forces and ideas, we take it, were as much in existence in the days of Moses as in those of Mussolini. It has been said that every new thought or invention passes through three stages: first, it is proved to be scientifically impossible, secondly to be feasible in theory though incapable of execution in practice, and indeed undesirable as well as immoral, while, thirdly, it is convincingly shown to be what every right-thinking man has long foreseen and consistently advocated. For example, to-day intelligent men have a grasp of the aims and principles of War: yet in the 18th century, as Clausewitz points out in his great classic *War*, the Austrian generals

believed that "the essence of strategy consisted in the execution of carefully designed manœuvres," rather than the annihilation of the enemy's forces. This, of course, was only possible in a period like the immediately pre-Napoleonic when, as Clausewitz shows in his philosophic fashion, there was an absence of "reality"; or, in other words, there was no overwhelming logic of events to drive people into bed-rock and ultimate reasoning. But when the French Revolution came, what Napoleon practised, Clausewitz afterwards reduced to theory—and Moltke and Foch later adapted, each in his turn, with what results we know.

To-day in the realm of alleged Peace, many other European countries besides ours are faced with some more or less immediate prospect of revolution. Whither is this overwhelming logic of events going to drive us? Our dervishes may weekly and daily wail for a Dictator with an Aristotelian belief in cathartics, but the saner elements in the state realize that there is no escape, and that we shall be compelled to sit down and reason together over the fundamentals. Our commercial and sanctimonious sentimentalists blathering that "we must all pull together," "show the right spirit," "exercise mutual forbearance," etc., are as irrelevant and mischievous as would be a layman mouthing these futilities over a man dangerously ill. What is wanted is a cold and logical analysis of symptoms, a distinction between the apparent but irrelevant and the invisible but vital, and a remedy that shall not be something merely to cloak symptoms but remove causes, and re-establish the patient as a sound and self-directing organism. But the physician's art demands innate ability and four or five years of hard study and training, of which, indeed, many excellent but well-meaning people are incapable. Naturally, these weaker brethren must decry any policy which demands qualities they do not possess, but which they fear as much as they dislike.

It is clear, therefore, that the solution of our present difficulties must lie within the scope of Economics. Here, of course, we strike the snag. Defined by Cobden as "the

highest study of the human mind," in Bagehot's words "it is an abstract science which labours under a special hardship. Those who are conversant with its abstractions are usually without a true contact with its facts: those who are in contact with its facts have usually little sympathy with and little cognisance of its abstractions." Like psychology, Economics demands such a blending of science and humanism, that an absence of either is apt to make the unwary expositor interesting rather than profitable. An example on a particularly vital point will make this clear. Currency in Mr. McKenna's phrase is "the rolling stock of commerce," and it is obvious that if a country has increased trade, it requires, correspondingly, increased money. Under the present system, this passes mainly to the holders of stocks of goods rather than to the public in general. The suggestion that price control might be applied to meet this, a professional economist of some minor standing recently dismissed as out of the question. But what are the facts? Fixed prices are one "of the commonest phenomena of primitive trade," while to-day dozens of firms sell hundreds of articles, from Colman's mustard to Boston garters, that carry a standard controlled price all over the country, from John o' Groats to Land's End. In the 1924 dockers' strike, moreover, the meat wholesalers of London requested the Government to take over the meat market and furnish fixed prices: and during the war the State's control of the Australian wool clip, with many other commodities, should not be forgotten. Further, the anti-control argument is one which reveals an unscientific cast of mind, extremely dangerous in the sphere of economics. Imagine if, when the incalculable ideas and forces of steam, anæsthetics, electricity, X-rays and wireless were discovered, the suggestion or possibility of control had been scouted by any professional student! If one of the first functions of science is to discover and chart all natural forces, its second is to find the technique of control, while a denial of this betrays a mind fundamentally unfit for handling the subject successfully.

What is then the object of an economic system? Does

it exist to provide work, or to make money? If a given area produces, say, one per cent. millionaires and ten per cent. below the subsistence level, is it *a priori* inferior or superior to one producing no millionaires and none below the poverty line? Two parallels will perhaps clarify the issue. Imagine the heads and delegates of the medical and educational professions in high eupeptic conclave, felicitating themselves on a year of large profits and small losses, while it was an acknowledged commonplace that the country was ravaged by epidemics and illiteracy. Even the hardest-headed and most unsophisticated business man might dimly feel that it is the business of medicine and education to deliver their respective goods, and that, while the profit of its exponents was laudable, the prior and logical aim was the abolition of preventible illness and the progressive training of the youthful mind.

Similarly, the right and proper object of an economic system can only be to furnish goods of appropriate kind and quantity to the community, and while there is incompetence or inefficiency amongst our financiers and "captains of industry," there will inevitably be discontent, poverty and peril to the common life of the State. Given that the system's function is to furnish goods, what are they? In appropriate analysis, they are air, water, food, clothing, and shelter, with a further scope and complexity so as to form a basis for "the good life," in the Aristotelian phrase. Galton has asserted that between the Athenian of 400 B.C. and the mid-Victorian Englishman, there was as much difference as between the latter and a Hottentot, and though this may flatter our non-Aryan brother—as well as the Aryan—yet the aristocratic and classical ideal represents a higher aim in civilization, than that apparently implicit in many circles to-day. That the Hellenic culture was founded on a false solution—slavery—is true, but it does not vitiate its lofty spirit, which to-day could be attained by a community stabilized instead on the slavery of mechanism. When a state, however, is fighting for its existence, there must be some readjustment and an abnormal amount of weapons, ammunition, etc.,

forthcoming, as well as a sufficiency to allow also for the sabotage of war. This brings us to a crucial point, however. During the war, did we talk about "providing work" or "making money" or "developing trade"? When the knife was at our throats, we instinctively and rapidly clarified our mental processes, and realized that what was wanted was actual food, clothing, guns, ammunition, ships, etc. Even the yellowest journalists with their blue blood and scarlet robes were compelled to think in terms of reality and national importance, and with our production and distribution system developed on sounder lines, we expanded our resources to a degree hitherto regarded as fantastic, except by the enlightened and imaginative scientist. But to-day what do we find? For the most part economic discussion is based on the fallacies of "work" and "money," belief in which would have given us defeat in the war. Or to put it in another way, if we were right during the war then we must be wrong now, and if we are right now, there would have been no war—only a walk-over for the Germans.

But how, it will be asked, were we able to manufacture all these goods during the war? In point of fact, it was very largely a matter of accident that a previously negative and limiting factor was abolished. We are apt to regard the pre-war period as a sort of Golden Age, though actually it was not so. We were on the edge of civil war in Ireland, and possibly in England, and if Man now masters the economic machine, History may pronounce that only the Great War awakened him to his impending peril, and gave him the remedy without which Western Civilization might have sunk gradually but inevitably into decay, as have done in their day and generation, "the glory that was Greece and the grandeur that was Rome." Among the first things that happened in August 1914, was the complete collapse of our currency and banking system, reared as it was on foundations that were partly rotten and largely misunderstood. In response to the shrill cries of the Old Lady of Threadneedle Street, who saw her approaching ravishment and the collapse of our Money System, the

Government printed and published the enormous number of Treasury notes, whose circulation thus rescued the Banks and enabled the public to settle their accounts with each other, and resume the ordered course of their daily trade. Faced later with the need for enormous quantities of Money to pay the munitioneers, the Government again, in effect, simply dished out more Treasury notes, and thus unintentionally and almost by accident revealed that *Money is only Goods Tickets.*

The result of this was that, working from this fundamental truth hitherto unrecognized, in spite of the absence of millions of men in the forces and devoted to destruction instead of even mere idleness, the country experienced a trade boom during the war, and when the sabotage of militarism ceased, the tremendous supply of Goods-Tickets permitted the production of goods for peace and the wonderful year of trade in 1919. And this, too, was the case, even though much of the extra Money was mere inflation, as it was simply absorbed by the combineer and the profiteer, who used their holding of stocks to draw to themselves part of the extra Goods-Tickets, more suitably employed to distribute the fresh supply of Goods. Thus the race between inflation and increased production and distribution went on, until the restriction of Credit (merely super Goods-Tickets and involving the lesser with the greater) in March 1920, ushered in the consequent and inevitable slump of the last four years. The wheel had come full circle and as a nation, fooled by the Cunliffe Report, we were tamely shepherded back into the pre-war and post-bellum fallacies of "trade" and "employment" as being the economic aims of a free and enlightened people.

Postponing for the moment the formal and final proof that Money—from coinage to Credit—is always and invariably nothing but Goods-Tickets, we must recognize that as Einstein's discovery of Relativity has involved the re-thinking of astro-physics, so Douglas's diagnosis of Social Credit, and its postulates on the function of Money, compel an entirely fresh orientation of Economics. We

are familiar with the heckler who demanded a plain answer "Yes" or "No" for his query to the candidate, as to whether he had stopped beating his wife. The logical fallacy is analogous to that implicit in those who state that we have no "money" for education, social reform, or that adequate housing is financially impossible, as we are an impoverished country whose capital has been considerably diminished in the War. In the case of the interrogative philogynist, given his premises, the question was a fair one: equally, given the assumption of the current economic hypotheses, there is no hope for the future. But in neither case can we accept the premises, so that it is necessary to realize in the first place, that it is idle to approach Douglasism and endeavour to condemn it from fundamental conceptions whose obscurity in the past has successfully concealed their fallacy. The defenders of lost causes are particularly apt also, to atone for the weakness of their reasoning by the strength of their convictions. Even Galileo found it difficult to persuade people merely to look through his telescope to see the satellites of Jupiter: for those who *knew* there were only seven heavenly bodies, refused even to exercise their eyes. There are always some who would sooner fall by faith than walk by sight, and there is even recorded the remark of a man, on seeing the skeleton of a dinosaurus for the first time, "I refuse to believe it."

Europe has solved the problems of ecclesiastical and political power and control, but yet there can be no ordered stability where the mass of individuals are free spiritually and legally, but discontented and ill-provided materially, and bondsmen by economic circumstance. In Southern Ireland, we see politicians wrestling with problems of sovereignty we surmounted in the 17th century, but when we turn to ourselves and the Continent, we find that the breakdown of society is due demonstrably and ultimately to currency misconceptions. Germany's Great Mark Swindle and her default in Reparations, are the logical outcome of an outworn and sinister Money system, which cannot be exposed without revealing the sources of power

whereby the financier and the bondholder exercise their secret and irresponsible stranglehold over the unconscious millions of their fellow-men. It is significant that recently Dr. Schacht (President of the Reichsbank) was reported (*Observer*, April 20th, 1924) as saying that, "in the long run a currency can only be a currency when it is based on gold"—a statement in the flattest contradiction to all principles of sound finance. On the other hand, it is virtually acknowledged by Mr. R. McKenna that the gold standard is a fallacy, while Mr. J. M. Keynes admits that it is "already a barbarous relic" (*Monetary Reform*, p. 173), though constrained to admit that, "the general level of economic and financial education amongst statesmen and bankers is hardly such as to render innovations feasible or safe." Hence when "war came and lasted four years, a period which I think all economists would have predicted as almost impossible" (*War and National Finance*, p. 274, by Hon. R. H. Brand), it was shown conclusively that, whatever the ruling forces of Europe did or did not know, the real meaning of Currency was hidden from the people, and has still yet to be comprehended by them. It is possible that an inner ring of German financiers have grasped the secret, and used it to master the Reich and evade the Allies, knowing that the money magicians of the latter dare not expose them without unmasking themselves.

It is, however, now well established that Germans were behind the attempt to smash the French franc recently, when, by the simple process of selling francs forward, they revealed a new weapon in the world that, by affecting the victim's currency, might work as much material havoc as an actual bombardment or barrage of poison gas put over a populated area. In the end, of course, the situation was righted, and France was rescued from what the Reporter General to the Senate Financial Committee described as her "financial Verdun." But how? According to the *Observer* (March 16th, 1924), the Rothschilds refused assistance, and the Morgan financial pool effected the rescue. The parallel suggests itself inevitably: if the French

Government had to call in the American financier to its succour against the Teuton, can she evade the control of the former, any more than the early Britons could first invite the English to drive out the Picts, and then expect them to retire in contented abstention from the unprotected wealth and property of Romanized Britain? *Ubi pecunia ibi potestas** one may summarize it, and this the French, like other Governments, must clearly recognize—this being only the first stage, however, in smashing the new despotism. But as pointed out by M. Sauerwein (*The Spectator*, March 23rd), the whole problem of transferring Money between states is one that the English Government has equally failed to solve, and indeed cannot solve along present lines. In the meantime, with Gallic tenacity, M. Poincaré believes that a Ruhr in the hand is worth two in the Reich, and by his insistence on Realpolitik paves the way to a settlement, however belated, on fact and principle, rather than upon fancies and sentimentalities.

So far then, it is fair to regard "trade" and "money-making" as clearly irrelevant and undesirable economic aims. With these prolegomena, we are now better placed to analyse "Unemployment." What does it mean? It is said there are, for example, 1,500,000 men "out of employment," and that this is undesirable. But if each man has an adequate income and he and his family are well fed, housed, etc., other things being normal, there can be nothing wrong. Either, therefore, words are being used wrongly or, if rightly, the speaker can only be a believer in a Slave State, in which everybody is compelled to work as at a task by either the physical whip of coercion or the subsistence spur of necessity. Conversely, then, every individual may be fully employed in a state and yet the amount and standard of food, housing, etc., be inadequate. Would a "nil unemployment return" then be a certificate of complete economic sanitation? Clearly not, so that those who argue in terms of "unemployment" must be here dismissed, as either believers in an inferior level of civilization (whether the Servile State of Socialist

* *Where the money, there the power.*

bureaucracy or that of capitalist leverocracy), or victims of such sloppy thinking that it would be idle to pursue them further.

"Truth is the name we give to errors grown hoary with the centuries," said Spinoza and there is probably no body of thought so riddled with pure empiricism and philosophic improvization as conventional current economics. Indeed, its orthodox professors have been described as "the eunuchs of finance. As guardians of the joint-stock banking harem they may have their uses, but as begetters of new ideas they are hopelessly impotent." The logical parallel in medicine to our chaos in Economics, would be a situation in which there was no control or necessary qualifications exacted from actual practitioners, 95 per cent. of whom were quacks and empirics, while mere theorists were largely responsible for the alleged body of medical science, only 5 per cent. of them having any first-hand acquaintance with patients for whose advantage, finally, the art of healing did not exist: it being hallowed, in fact, only to make money for its quacks, who expended some of their winnings in establishing academic chairs for the purpose of propagating their unsound but highly profitable fallacies. The "end" of Economics is yet lacking in adequate definition, as well as in general perception, and in particular the meaning and function of Money as Goods-Tickets, nothing more and nothing less, has not been sufficiently realized. In direct consequence, the present industrial system is visibly and daily tottering to its fall, and civilization must be clearly re-established upon a new created synthesis of science and soul, which shall enable the human spirit to obtain a re-birth of power and a fresh orbit of endeavour.

CHAPTER II.

Money is Goods-Tickets.

Ex umbris et imaginibus ad veritatem.

Epitaph on Cardinal Newman.

ῥίζα γὰρ πάντων τῶν κακῶν ἐστὶν ἡ [ὀλιγαργυρία].*

St. Paul.

We have now reached the key to the whole problem, and if we can once master it, it will be clearly seen that the remedy for nine-tenths of our present troubles is one that seems ludicrously simple, though, while eluding our grasp, it has in the meantime brought Europe and ourselves to the brink of the precipice. "In war" said Napoleon, "everything is very simple"; so that an attempt to decry simplicity is fatally unscientific, for there is no congruity between cause and effect. A flake of bone, impacted upon the human brain, may reduce a spiritual and intellectual genius to a gibbering beast, while an undrained marsh may breed mosquitoes, whose infection may ultimately destroy a race and even a civilization. From Pasteur to Sir Ronald Ross, it took over fifty years to conquer malaria, and yet in essence the problem is merely that of a bug-fight in the blood-stream. Once one combatant, his seconds and attendant circumstances are revealed and identified, his final knock-out becomes in many cases as simple and as scientific as pressing a button. Discovery and elimination were highly complex, involving dozens of false trails and miles of bypaths to explore, but the final solution and remedy may be expected, almost invariably and rightly, to be correspondingly simple and even attractive.

* *Ex umbris*, etc. *From shadows and fancies to the Truth.*

ῥίζα γάρ, etc., 1 Tim. VI. 10, amended. *The dearth of Money is the cause of all our troubles.*

Money, according to the orthodox economist, tends to be defined as " a medium of exchange " and " a measure of value." In passing, as yet another example of the incompetence of our financiers and economists, we may note that there is no stable " measure of value " in money. Much of our debt to the U.S.A. was contracted when the £ was worth only about 11s., and yet now the usurers demand something like 18s. for that 11s.—apart from the interest question. Imagine the yard, the pound troy and other measures, varying in this foolish and perilous fashion!

Next we come to the differentiation of value between, say, bread and diamonds and the typical word-spinning distinctions between the intrinsic, the useful and the scarce. All this is, we suggest, not merely irrelevant but definitely perilous as, even at best, it is little more than a description of symptoms rather than an analysis of causes and the control of function. Or to put it another way, " the dismal science " to-day is almost entirely occupied in a task comparable to describing a forest with all its varieties of fauna and flora, and its infinite relevant details, while totally neglecting the first and vital question—*i.e.*, would the community be better without the forest, or could its purposes be served by an area quarter of its extent and with a tithe of its personnel of upkeep? It is this orthodox absence of analysis between the essential and the accidental in economics, that is threatening to bring modern civilization to " red ruin and the breaking up of laws," so that our first endeavour must be to readjust our definitions appropriately.

Let us take, for example, say, half a dozen people in a community completely isolated. What is their problem? Obviously the requirements of any human being, their needs being air, light, water, food, clothing and shelter, in an ascending category, culminating in an organization which shall give them the maximum of production, with the minimum of effort, so as to furnish them freedom for leisure and self-development—the Aristotelian " good life." The modern fallacies of " work," " money " and

"trade," as economic aims, here immediately appear in all their essential irrelevance, as a moment's thought will show, while laborious toil for purposes of subsistence would be progressively and deliberately diminished, for the sake of culture and leisure. The division of labour being obvious, the inhabitants will necessarily adjust their individual wants by barter, for amongst such a small number *there would be no need for money.* With the community raised to, say, 50 or even 100 in number, one can fairly imagine that no considerable change would be necessary. But supposing that for some reason or other the community becomes considerably enlarged, and barter is no longer possible: then, of course, the people will be compelled to employ special symbols of exchange or tokens —stones, teeth, cubes of tea, cattle, cowries, pieces of leather, gold or even paper, which are thus simply tickets for goods. Hence anybody in possession of these tokens or goods-tickets—the method of acquisition is irrelevant—and suitably presenting them, has the goods handed over. These tokens we call money, so that *Money is simply Goods-tickets,* nothing more and nothing less. As this fact is the rock upon which any adequate theory of Money must be founded, some emphasis in its assertion must be excused, particularly as so far we cannot cite its reasoned acceptance by any orthodox economist, though J. S. Mill glances at it incidentally in one passage. In fact it is the key to all our present economic difficulties.

Commercially, this transition from a system of barter to one of currency is of vital importance. There is a bigger leap from barter to the simple currency of coinage, than from the simple currency of coinage to the complex one of credit instruments. Inasmuch as there is a given quantity of goods to be circulated or distributed in the community, it is clear that there is a definite amount of goods-tickets (money) required for the purpose. Either more or less than this quantity is manifestly and proportionately mischievous. As the goods are increased in number, so similarly should be the goods-tickets in equivalent ratio. Conversely, if by the cataclysm of nature

or the catastrophe of war, there is a destruction of goods, then inevitably there should be a diminution of what are now excessive goods-tickets (money). But suppose, further, there is possible an indefinite expansion of goods, by means of enhanced scientific knowledge and productive technique, while the goods tickets are from a relatively rare and definitely restricted material like lead.* It is obvious, then, that the currency system is an unsound and unscientific one, and its defenders would be as foolish and illogical as the champions of the gold standard, who are confusing a particular variable with its general function, and endeavouring to fit goods to currency instead of currency to goods. The latter, of course, is like cutting the man to fit the cloth, instead of the cloth to fit the man. It follows, equally, that if a community is sufficiently large to require a system of distribution by "money" instead of by "barter," then it must be so arranged that it cannot be cornered and controlled in the interests of the Few as against the Many. With an unsound system of goods-tickets (*i.e.*, currency or money), restricted to gold, or some other material in inadequate supply, there is inevitably and consequently an insufficient distribution and production: and the *gold monopolists have civilization by the throat.* Of course the inevitable sequence, for purposes of modern trade, is some modification of the relevant standard of Europe and the U.S.A., *i.e.*, gold, but naturally it will involve the minimum of interference with the power of the gold-hogs, if they are able to continue their bluffing of the public.

As a result, though the discovery of the Californian and Australian gold-fields, by the increase of "general currency," permitted one or two "booms" in the 19th century, yet side by side grew up the banking system of cheques and the extension of credit instruments, or in other words a "super-currency." This enabled its wielders, the banks, the financial pools and the international financiers, to provide "goods-tickets" for the "goods" *they* wanted—which were not necessarily the goods of

* *i.e.*, native lead.

" national importance," or for the profit and well-being of the people in general. But, it might be urged, as they made the "goods-tickets," surely they were entitled to their full employment, even if that involved selling one-third of the human race into economic slavery. In point of fact, analysis shows that currency is only valid by reason of its " credit " or " general acceptance," and that bank notes and cheques are equally only potent because people will accept them as goods-tickets—*i.e.*, because they procure the actual goods and services, which must be the only sound and final " backing " of any currency. Currency exists for the sake of goods; not goods for the sake of currency. Its value is therefore the possession of the community, even if the possession be exploited against the community.

This conclusively disposes then of the theory that Goods-Tickets should be of some material with its own " intrinsic " value, such as gold. It leads almost inevitably to an attempt at monopoly and also to a confusion in men's minds, as to-day, in thinking that Tickets must be gold or related thereto, instead of being based solely on Goods and public credit. The criterion of Money is its ordered acceptance: not the material of its manufacture. Moreover, as the returns of the British Clearing House show, the fraction of the country's trade there carried on in legal tender has been a diminishing one, and in 1922 the proportion was only 0·7 per cent. (*i.e.*, seven-tenths of one per cent.). Similarly, there is, of course, not sufficient gold in the banks to cover more than probably a thousandth of claims for it, so that when, in spite of Mr. McKenna's dignified dismissal of the gold standard fallacy, one still reads bankers' pleas for " a return to the gold standard," it is difficult to estimate which of the two is predominant, their knavery or their muddleheadedness. Nietzsche says somewhere that, " when Buddha was dead, his shadow still continued to be seen for centuries afterwards in a cave—an immense frightful shadow." No doubt there was a resident hierarchy to finance the pilgrims, and equally there should be no lack of prophets for the gold

standard, even though it be dead but unburied. " If the law of gravitation were opposed to any pecuniary interests " wrote Macaulay, " there would be plenty of people ready to come forward and deny the law of gravitation."

When and where will the clean break come in an unsound currency system, crippling production and holding up economic progress? Though the gold fallacy was really abandoned immediately there were more titles to gold than gold to meet them, the simplest occasion for a complete exposure of its unsoundness, would be an event demanding a swift, immediate and overwhelming expansion of goods, requiring an equivalent increase in " goods-tickets," for which gold is insufficient. In our case, the occasion was the outbreak of war with Germany, when the pre- and post-war fallacies of " unemployment," " money-making " and " trade " were promptly jettisoned, and the need was for goods—of the usual categories, but with the addition of an overwhelming supply of guns, shells and ammunition, ships, etc.

Accordingly, when the war was over, it was perfectly natural that our money-traders should call for a restriction of the " goods-tickets " (*i.e.*, the paper Treasury Notes displacing the inadequate gold), and demand that there should be no further increase of currency in the general and public form, but only in the shape of bank credits with cheques. These are, of course, a distributive medium easily mobile and controllable in their private interest. Permitted this, they can later revalue, depress and partly destroy the general " goods-tickets " (Treasury Notes), by methods familiar to all enlightened students of the banking system. With " stabilization," stereotyping the stage of general progress at a particular point by battening down the production system, we have also " deflation," *i.e.*, money restriction and " inflation " (putting out too many " goods-tickets "), the three weapons that complete the whole armoury of financial exploitation.

Avoiding the fallacy of " employment," we must thus recognize that our real problem is " Production." But if Production depends partly on Distribution or Goods

Tickets (Money or Currency), we must again shift our attack. The strength of a chain is its weakest link, and if indeed one is missing, the excellence of the remainder is irrelevant. In a sufficiently small settlement no Money is necessary in the slightest, but imagine if, for example, every coin, note, cheque and bill were abolished temporarily in this country. Would our ability to produce wealth—food, clothing, houses, machinery, ships, etc.—have been impaired? Obviously not, yet the mere absence of the medium of exchange would wreck the community's organized life, though a few days—permitting a moratorium—could see the establishment of a currency system, entirely new and probably quite as efficient as that recently deceased. Life would then proceed as before, and there would have been comparatively little harm to the state internally or even externally. Conceive, however, if every house, factory, piece of furniture, clothing, in short, all goods, transport and production were destroyed, what would be the effect then? Of the population thus reduced to nothing but their own bodies, probably ninety per cent. would perish before the material necessities of civilization could be re-established, even with the aid of foreign countries. Though, therefore, the material goods are clearly the primary thing, yet if there is an imperfect means of distribution, the symptoms of chaos and famine may superficially appear to be indistinguishable from those arising out of an actual inability to produce goods. This shortage of "goods-tickets" is, of course, simply a more extreme case of what we are suffering to-day—people wanting huge quantities of food, clothing and houses, while farms are falling into grass land, the cotton trade is suffering and brickfields are idle. "Foreign markets are closed," say the superficial: but an economic system is to provide goods for its people, not merely or primarily "trade" and profits for its merchants.

Hence, of course, at the end of 1914 when faced with the necessity for an overwhelming production of goods, the Government immediately abandoned the "gold standard" superstition and got them going by providing the inevitable

and indispensable circulating medium—*i.e.* printing the extra money (*i.e.*, goods-tickets) required. Whatever may have been the more private preferences of some, the financial powers of this country generally desired a flood of goods to beat Germany and win the war. Are they equally as keen for a flood of goods that would enable us to win the peace, and provide every Englishman with an adequate income, suitable housing and full opportunities of leisure and education?

"I doubt it!" said the carpenter,
And shed a bitter tear.

The policy of increasing distribution power by credits and note-issue, both being simply forms of money, was carried on all through the war, and after the Armistice the cessation of production for destruction enabled production for civilization to be distributed instead, so that we had the boom year of 1919. Then in March, 1920, the Chancellor of the Exchequer stated that the Government has set its heart upon deflating the currency (*i.e.*, restricting the distributing medium), and with the advance of the Bank Rate to 7 per cent., the country was ushered into the slump, whose ramifications perhaps only those of us daily engaged in commerce over this period can fully realize. To the mandarin mind which recoils from the horrors of our "devastated areas" of Tyneside, the Tees-side, the Clyde, and Sheffield, where only the dole keeps revolution (with the Shavian adjective) at bay, we commend Mr. McKenna's words: "The consequences of a continuous fall in prices, entailed by dear money and restriction of credit and accentuated by heavy taxation, must be a complete stagnation of business." This was spoken in January, 1921, to the shareholders of the London Joint City and Midland Bank. Are these words more true or less true to-day, nearly four years after they were uttered? They have been overwhelmingly fulfilled, and every day only emphasizes this further.

Thus we have had the logical corollary and reversal of what happened in 1914. Then we expanded production by means of expanding the power to distribute: and won

the war thereby. We have allowed the Government and the few who control our financial system to restrict the power to distribute (*i.e.*, money, whether credit or notes) and hence crippled our production and brought the agricultural, coal, cotton, wool, shipbuilding and engineering industries—the very ones which give us our imperial strength—to disorder and impending collapse, while there are millions of people in actual want of the goods these industries can supply or transport. The old-fashioned manufacturer tends to be little better now than the manager of his own business, for he is at the mercy of those who issue the credit, though Mr. Henry Ford a few years ago was able to smash the attempt of the banks to get his firm in their power, while the recent attempt of a financial syndicate to corner the cotton industry in this country was fortunately defeated. The world has solved the problem of and shattered spiritual and political tyranny, but the technique of controlling that of finance is only just being forged. In the meantime it is omnipresent in Europe, for "where the carcase is, there shall the vultures be gathered together."

But, it will be urged, admitted there is a shortage of money, the remedy of its indefinite expansion, as in Germany's case, would simply be worse than the disease. Exactly: for, of course, an overwhelming flood of money renders it valueless, so that we would be back again in the position of having no money.

What is then the required middle term? It must obviously be a definite and continuous relation between goods and money, which can only be expressed in prices scientifically adjusted accordingly. If a manufacturer let himself go and piled up goods to-day, no matter of how great national importance, the absence of money or purchasing, *i.e.*, distributing power, would bring him to bankruptcy and his senses in very few weeks. Conversely, if the Government lets itself go with the printing presses, we should equally be no better off—as in Germany. *The desired objective is obviously, therefore, with the creation and marketing of goods, the simultaneous and controlled*

creation of the extra goods-tickets thereby required, i.e., the necessary distributing and purchasing power or money.

But we are anticipating somewhat. We have seen that, as clearly shown by our analysis of the primitive community, originally Money might be of any commodity but that in practice the metal gold has won most favour, until many economists have utterly confused the particular variable with its general function and confounded the accidental with the essential. "All Credit ultimately rests on a metallic basis. . . . It is well then to state in the most emphatic manner that the whole vast superstructure of credit must rest on a metallic basis and if this basis is cut away, the whole structure would fall." Thus Prof. J. S. Nicholson (*Money*, p. 74)—in a statement only to be paralleled by Mr. Harold Cox in a description of Treasury notes as "with nothing behind them but the changing humours of politicians" (*Daily Mail*, July 22nd, 1924). If this is the knowledge of our prophets, what must be the ignorance of the people or, as Chaucer put it, "if gold be rusted, what shall iron do?"*

It is thus seriously pointed out that originally the public took notes because they could always have them exchanged for gold if necessary. Hence, of course, the amazing nonsense we have heard and read about keeping the gold standard, in ignorance of the fact that people only accepted gold itself originally because it gave them food, clothing, shelter, etc. What would a bag of sovereigns, or wad of notes, or bank credit be worth when offered to a man dying of starvation and asking for bread? On the other hand to-day (May, 1924) the Pole and the German will gladly accept the English Treasury Note.† Why? Simply because it will function as they each want it—*i.e.*, as a "goods-ticket" of sufficient stability. There is no nonsense in their minds about there being its equivalent in

* *Cf.* however, "This recalls a remark made by Thompson, in his *Political Economy*, on the Scotch banknotes down to 1845: 'The people will take guineas instead if they must, but they pass them off as soon as possible, as a pretentious, unthrifty, eminently un-Scottish kind of money, much inferior to a native bank-note coined in any corner of Scotland.'" Flürscheim *op. cit.*, p. 125.

† *Dawes Report*, p. 138.

gold in existence. Once this real meaning of money, as "goods-tickets" (their actual material is irrelevant) is perceived, it lights up immediately several of the most puzzling problems in History. Here we cannot refrain from quoting Mr. Hartley Withers, our leading authority, probably, on how the modern banking system is administered—though without admitting its "deep malady" as did Bagehot. "The extent to which trade and economic progress have in the past been quickened by additions to the supply of the precious metals has produced a theory, with respectable authority, behind it which connects the development of civilization with mining activity. Perhaps the most stalwart and uncompromising exposition of this theory is given by Sir Archibald Alison in his *History of Europe*. 'The two greatest events' he says (Vol. I., ch. 1, p. 33) which have occurred in the history of mankind, have been directly brought about by a successive contraction and expansion of the circulating medium of society.' These events were the fall of the Roman Empire which, according to Sir Archibald, 'was in reality brought about by a decline in the gold and silver mines of Spain and Greece,' and the Renaissance which he ascribes to the discovery of the mines of Mexico and Peru" (*The Meaning of Money*, p. 19).

Owing to the drain to the east during the period A.D. 14 to A.D. 800, it is estimated that the store of Money in the Roman Empire sank from a value representing £358,000,000 to £33,000,000. With the working by the Moors of the Spanish mines and the development of those in Saxony, the Hartz Mountains and Austria, the Middle Ages did slowly increase their stock of Money (or Goods-tickets), until the discovery of the American mines, as emphasized by Sir Archibald Alison. From 1545 to 1800 it is computed that over £600,000,000 was added to the European currency, while from 1809 to 1850 the annual increased supply was £8,000,000. Then after the hungry Forties followed the well-fed Fifties. How? Why? Simply because the flood of gold "from the bountiful infinite west" of America provided a tremendous increase in general Goods-Tickets

or Money, which permitted the corresponding expansion and distribution of Goods.* From 1850 to 1870 roughly £500,000,000 in gold was added, while the amount in silver from 1800 to 1870 was about £500,000,000. With the diminution of the annual output of gold, there was naturally a fall in prices and trade depression, with significantly what professors of orthodox economic piety describe as "an outbreak of novel monetary theories." Then came, after 1884, the great gold discoveries of Australia and South Africa, and for nearly twenty-five years there was an average annual output of £70,000,000 (*Encyc. Britan.*, XVIII., p. 700). What was the result? Immediate collapse of agitations in Europe and America for monetary reform, while this overwhelming increase in Money or Goods-Tickets during the whole 19th century, coinciding with scientific and industrial advance, gave the middle classes the golden age of the 'eighties and 'nineties, after freeing them for the leisure and research of Mid-Victorian culture and civilization.

Here we may note in passing, the true meaning of Money explains one of those little historical problems whose misunderstanding has always provoked the gibe of the academic Free Trade historian. Why did the mediæval man attach so much importance to a balance of trade *in his favour?* Obviously because an unfavourable balance meant he had to export his bullion, *i.e.*, his Goods-Tickets, whose shortage naturally held up his own internal movements of trade, though, of course, the survival of natural economy and payment in kind partly mitigated the inconvenience. Here, then, the mediæval man was as thoroughly sound in his views as the mercantilist who declined to believe that "trade" was more important than "power" or, as we should put it, "national welfare." Before the war Great Britain permitted the uneducated manufacturer to exploit the physique and stamina of his fellow-citizens in dens of industry, while Germany, with an eye to the future, preferred the production of cannon-fodder to factory fodder, and accordingly exercised strict and successful supervision

* See Appendix 1.

on the health and welfare of her helots. Once again we see that, as Aristotle points out, it is idle to discuss the workings of the state, without an inevitable and constant reference to the cultural ideals at which we are aiming, in the absence of which, the natural trend towards decay infallibly leads along the lines of least resistance to the servile state, and another and fresh co-ordination of tyranny of the Few over the Many.

Having thus established the actual meaning of Money as Goods Tickets, we must pass on to the next stage in which a slightly more complex form of currency is involved, though its essential similarity with the simpler variant is still clearly apparent. To eliminate the irrelevant and get at the essential, let us imagine an independent and self-sufficing community of, say, 300 souls living quite cut off from the world, and under mid-Victorian industrial conditions. Their total working Money is a metal coinage, let us say of £10,000 in gold, but they have no banks. A very natural thing for some enlightened individual, full of that philanthropic ardour that distinguishes inevitably the millionaire in our present system, would be to point out that, instead of the risk and anxiety to themselves and temptation to others, they should allow him to keep as much of their Goods-Tickets as possible for them, these to be drawn out, of course, at any time. This they do, and instead of stocking hoards, etc., etc., we may fairly argue that they bank perhaps £7,000 of it and work on £3,000, for there will be barter and, in addition, counter-balancing between individuals in such a community, as between present day bank branches. Then the banker, the flame of philanthropy again flickering high, has another brain wave. Instead, he points out, of inconvenient gold coins, etc., so unhandy and weighty for the pocket, why not just hand them in to him and let him keep them, providing paper notes to take their place? If, of course, any man is so foolish as to refuse their acceptance, he can always have the gold on presenting the note at the bank. Now, the community's whole coinage is £10,000 with £5,000 of this in the bank, £2,000 always in and out, and with paper

notes to substitute for any of the further £3,000, our philanthropic banker can give his noblest instincts full play. Human nature being what it is, the great part of the gold will never be required, either the permanent deposit or the current held against the notes. Hence he can print, shall we say, £2,000 of notes at a conservative estimate. Then again, a man may come to him, for example, the typical inventor or engineering genius, with some mechanical device or chemical process, such as the gas engine or the formula for synthetic rubber. This man, short of capital and a mere child in money matters or any financial "rigging," may be provided with credit and actual notes by the banker, and found an industry of vital value to his fellows.* Hence limited only by the quantity of Goods the community can turn out to "back" the Goods-Tickets and maintain their relatively stable value, the banker can go on printing his paper Goods-Tickets or Notes to any extent, until numerically and quantitatively with their increased production, the old metal Goods Tickets are almost entirely negligible, providing the notes are inconvertible. If, however, they are not made inconvertible, with suitable other safeguards, there is always the peril of an appalling collapse in the machinery of distribution—as has happened constantly in the last hundred years, and will continue to happen until our bankers and the business community generally are educated into sound currency conceptions. Not to labour the point, and making two further assumptions—that the community does not issue any more currency itself and that the banker still has a free rein—what is the position after, say, twenty years? With a relatively primitive community, as that we imagine with no external threat or foreign trade, their constant increase of Goods-Tickets (coin and paper) enables constantly increasing supplies of Goods—given their scientific and productive adequacy: and the fewness of the interdependent factors permits the simplicity and reality of their principles to be readily understood by ourselves in analysing them.

Clearly such a settlement might function for years

*N.B.—There are thus only *coins* and *notes* at first.

with a currency varying from a high ratio of gold metallic coinage, to later a very low one with a high number of paper Tickets, while in addition a cheque-currency* could be introduced, thus giving the three distinct grades and types of Goods Tickets. Hence assuming general conditions favourable, the community would find no monetary impediment to the highest form of Production of overwhelming goods, and a consequently high civilization, though, with the typical unconsciousness of health, they might never even realize what a limiting factor an unsound and disordered Goods Ticket system might be to improvement and progress. If, however, some external peril arose and their currency system were challenged, working from that strict legalism and outworn pedantry which are often the fruitful parent of revolution and Bolshevism, the banker could point out that there is only £10,000 of coinage actually belonging to the people, and that everything over and above this must be his. Of course, the problem stated by him as crudely as this would be recognized and smashed at once and once and for all—just as in the war we threw overboard the superstition of private property in land, under which unpatriotic cranks would have refused sites for camps or fortifications. No, the banker would craftily take care never to raise the naked issue, but on strict analysis it could be plausibly shown that all money in the community, apart from the £10,000, was his. Hence, with the credit expansion and development of goods and resources, by means of his financial control—under this orthodox monetary fallacy now rushing Western civilization to its ruin—he would be titular master of at least half of the community's wealth. Which is absurd, for it is not the printing or circulating of the notes which is the crucial factor, but their general acceptance by everybody which has enabled goods to be made and circulated. In other words, for the crude mechanical means of the note, the banker and the printer are worthy of their hire, with the banker on a better rate for certain more professional duties; but the value of the note

* *Cheque-currency* for first time: its analysis will be found later.

is created by the community with its racial endowment of character, ability and skill, and its political and educational training, which have enabled them, as they did ourselves in the war, to turn out goods and services with sufficiency and success. In other words, the only sound and adequate " backing " of Good Tickets or Money must be goods themselves and appropriate services—these and nothing else. Unless the tokens of shells, cubes of tea, gold or paper can be accepted for Goods, which themselves must also exist, they are worthless. This acceptance is always a communal possession. By definition it can never be individual in property, though it may become so in exploitation. Put briefly, this is a not unfair representation of a community developing by using its own credit, which like any other power can be used or abused. Like the army or the navy, it is too serious and vital a thing to be permitted as a monopoly held by private persons. It must be controlled and employed for objects of real national importance—a strong, free and healthy people—and not for the profit of a small exploiting minority.

After coinage and notes, it follows that cheques and bills of exchange are the only remaining forms of Money or Goods Tickets for consideration. In dealing with all these, we must constantly bear in mind that, as pointed out by Mr. Hartley Withers, much difficulty is caused by " the consistently illogical manner in which the City applies titles and descriptions." Definition is the first stage of thought, and indeed we assert that it is chiefly because the public fail to grasp the real meaning of Money, that we are daily drawing nearer to a collapse of civilization. Bagehot (*Lombard Street*, p. 167) quotes from the examination of the directors of the Bank of England in 1810, " when they gave answers that have become almost classical by their nonsense." The words of the Governor as cited by Bagehot are: " I cannot see how the amount of banknotes issued can operate upon the price of bullion or the state of the exchanges; and therefore I am individually of opinion that the price of bullion or the state of exchanges can never be a reason for lessening the

amount of bank notes to be issued." Going on to quote the actual words of two other directors Bagehot sums up: "Very few persons perhaps could have managed to commit so many blunders in so few words." In passing, we may state that Bagehot admits that the whole banking system contained a grave defect but proposed its retention, as "I am quite sure that it is no manner of use proposing to alter it." Mercifully, we are not tied to this unphilosophical attitude, whose complete adoption in medicine or science, in Bagehot's time, would never have give us later the serum treatment of diphtheria, typhoid and tetanus or the X-rays or wireless telegraphy.

So far we have got the two varieties of Goods-Tickets—

(1) Coinage—metal, whether copper, silver or gold;

(2) Notes—paper, in banknotes or Treasury notes.

An important point arises at once. How is it that the note currency, of which we read so much in the early 19th century, had lapsed until its revival by the Treasury in 1914, backed by the National Credit, rescued the Money Combine and ourselves from complete collapse of exchange and the hastening approach to a state when credit would have had to be entirely suspended, and we should have had to return to a condition of barter? Having seen in a previous paragraph how actually the note and cheque will work—each based on Social Credit which enables the exchange and therefore the production of goods—let us clearly understand how historically each has developed, so that a comparison may show where the accidental and essential are to be rejected and retained respectively.

In the 17th century, as the result in part of their experiences of royal confiscation, merchants in this country found that the goldsmith was the most useful place of deposit for their Money or Goods-Tickets, *i.e.*, their final means of trading and claims to wealth. Clearly, in settling a debt, a merchant could either—

(*a*) Give an order to pay, drawn on the goldsmith, *i.e.*, a cheque; or

(*b*) Use the goldsmith's receipt for a deposit, *i.e.*, a note.

Of the two, which was the more useful and adequate Goods-Tickets? Obviously the Note, because its scope was wider, so that it pretty well amounted to the ordinary legal tender of general Goods-Tickets of gold and silver. The cheque, of course, is only a restricted Goods-Ticket at best, and though desirable for transferring easily and safely a large quantity of general Goods-Tickets, any attempt to argue that it is as handy and convenient for everyday use, must reveal its protagonist as, either without an understanding of the canons of a sound currency, or definitely desirous of crippling it in the interests of monopolists. In other words, the function of the cheque is to *assist* the note and not to *supplant* it. Human nature being what it is, the banks prefer the cheque to supplant the note, as it enables them proportionately to control the rest of the community, as its more simple-minded members no doubt believe is all for the best. For the slave-mind is born such, as well being often the resultant of a carefully organized system of national education, emphasizing the more servile virtues of orderliness, obedience and thrift, rather than the imperial ones of independence and enterprise.

Historically, the goldsmiths under Charles II. used to deposit their reserves with the Government, but these were impounded by the King, who thus struck a blow at the development of Credit—which is merely a belief in the common sense of humanity and is therefore the foundation of all government and ordered economic and cultural progress—and showed that Stuart knavery and incompetence were a hereditary and transmitted disease. After James II. quitted his country for his own good, temporarily there was no organized National Credit as that which rescued ourselves and the Bank Bungle in 1914. Thus, for military and other purposes, William III.'s Government in their distress had to turn to private credit, and float a loan in such terms that its subscribers for the £1,200,000 were incorporated, not to say canonized, as a reward into the Bank of England. Then, as now in practice, " the price of a thing is what it will fetch "; for in those less spacious days there was no cant of " service not self," a second

text obviously reserved until after the first has been hallowed by prosperity.

Accordingly, for its services of overwhelming importance to the Government and the country, the Bank obtained the exclusive holding of the national deposits, an early limited liability and the sole permission as a joint stock committee to issue Bank Notes in England. This last proviso held till 1826, when "England" was cut down to within sixty-five miles of London. Hence the provision of the tremendous increase in Goods-Tickets, required to create and distribute the increased Goods from the Industrial Revolution, had to come from the hundreds of small banks all up and down the country, whose private paper Goods-Tickets successfully carried out their proper function —increased production with an economic freedom and the opportunity of a "career open to talent." Until its triumph in the Bank Charter Act of 1844, the Bank of England in general fought valiantly in defence of unsound currency principles and the most stupid misconceptions of monetary policy. Its original restriction of £20 banknotes was, of course, manifestly absurd, as shown in 1825, when its circulation of 600,000 £1 notes and fresh advances of £400,000 tided over a crisis that should never have arrived. However in 1826 Goods-Tickets under £5 were again prohibited as, naturally, the Bank of England wanted to smash the business of the provincial banks developing with their own Goods Tickets. It is suggested by Mr. C. P. Isaac (*Menace of Money Power*, p. 86) that, owing to the inability of small private banks adequately to compete in London with the Bank, "the area within the 65 miles radius became industrially the least developed in England. The home counties dropped back into the agricultural stage. The metropolis itself sank from a city of industry to one of merchants and middlemen. It now lives on largely as a parasitic growth upon the industry of the rest of the community." When one recollects the industries of London and its neighbourhood relatively during the Middle ages, and conversely compares the prosperous industrial areas of the 18th and early 19th century with their private banks,

we find the inevitable historical confirmation of our analysis in abstract, though we must not underrate London's present manufacturing output.

From the end of the 18th century until 1844, we have the tremendous number of nearly 1,000 small banks, whose private production of Goods Tickets enabled the great increase in Production in the early 19th century. How was this done? It was then easy and legally feasible for a man of intelligence, honesty and ability to set up as a banker, and of course produce his own Notes or Goods Tickets. A typical inventor or enterprising man could then get Goods-Tickets advanced to him, and then manufacture his goods, so that there was the definite objective attained that the Rt. Hon. R. McKenna alluded to in his speech to the Midland Bank (January, 1924), *i.e.*, the required expansion of Money to finance an increase in Goods. Hence with the continuous development of Goods Tickets, in this case paper, we had a correspondingly constant development of Production like that consequent on the increased supply of Goods Tickets, gold and silver, after the discovery of the American mines in the 16th century. This was not paralleled again until the overwhelming boom of Production during the Great War when Goods Tickets, also in this case paper, were once again in adequate supply.

But it will be urged, what about the bankruptcies of banks and the constant crises arising out of the folly of the Bank of England? Undoubtedly undesirable banks were formed, but the blame for this lay largely upon the monopolistic clause in the Act of 1709, which prevented a company, either of limited liability or numbering more than six persons, from undertaking the function of banking. Periodically as in 1795, when the Bank of England's cash fell to £1,272,000, and in 1825 to £1,260,000, from about £10,000,000 and £15,000,000 respectively, the draining of the country's Goods Tickets, *i.e.*, its Money in the form of Gold, to finance Continental allies during the War or overseas enterprise during the peace, led naturally to the collapse of hundreds of the smaller banks. These had to sacrifice their gold goods-tickets on demand, and were not

protected by the necessary inconvertibility of their own paper Goods-Tickets, as were and are our present Treasury Goods Tickets. On the latter occasion, in Huskisson's famous phrase, the country was "within twenty-four hours of a state of barter," being in other words largely stripped of its means of distribution, though necessarily the primary and essential factors of wealth production—machinery, land and population—were obviously still unimpaired. That is an extreme case of what we are suffering to-day (1924)—everything favourable for overwhelming Production—except the supply of Goods Tickets at present controlled by an anti-social, not to say anti-national, monopoly of the few.

After the failure of the mad attempt to interfere with the Scottish notes, in 1833 the Act was passed permitting the foundation of joint stock banks. At the same time, the Bank of England's own Goods Tickets were made legal tender, and thus to a certain amount set free from their gold backing or bullion basis. This partial and merely partisan attacking of the problem showed that the meaning of Money was not yet realized, and accordingly in 1839 the financial crisis found the Bank of England once again faced with bankruptcy. On this occasion, it was rescued by means of foreign assistance mediated by Baring Brothers, though many of its competitors were less fortunate and failed to the number of over 60. Finally in 1844, obscurantism and currency restriction triumphed in the Bank Charter Act, with its two important results—

(1) The elimination of the private note issue or the independent banker's manufacture of general Goods-Tickets, and

(2) Their displacement by the restricted Goods-Ticket or cheque,

leading finally and inevitably to the Money Combine of to-day. The attempt to get the note issue of 1844 back to a complete gold basis was even canvassed, just as to-day supporters of an unsound currency system are still clamouring for the gold standard. Fortunately, this extreme of folly was averted, and it was finally arranged

that there should be no increase of Goods-Tickets (in the shape of Note issue from the Bank of England) without equivalent gold for them. The stupidity and illogicality of this the reader can easily calculate for himself. Suffice it to add, that on four occasions since then there have arisen crises which would have brought our modern society back to barter and collapse, but for the suspension of the 1844 Bank Charter Act. These were, as we know, 1847, 1857, 1866 and 1914, though the latter occasion is one that is not as fully realized as it ought to be, though carefully narrated and documented in Mr. Hartley Withers' *War and Lombard Street*. Here, however, we may cite Bagehot's comments on the question though one must allow naturally for his approaching the problem with a fallacious conception of money. "A more miserable catalogue than that of the failures of the Bank of England to keep a good banking reserve in all the seasons of trouble between 1825 and 1857 is scarcely to be found in history" (Bagehot, *Lombard Street*, p. 171). As regards 1914, we may cite the alleged statement of a Bank chairman at the annual dinner of the British Overseas Banks (*Financial Times*, March 25th, 1924): "If they went back to the period when we were last engaged in Continental struggles, they would find that in 1793 over 100 banks in this country failed. Of course, that was before the much-abused process of amalgamation. During the years 1810 to 1817 no fewer than 600 banks failed. That was to say, banks were failing up and down this country at the average rate of two a week. During and since the Great War . . . . there had not been a single banking failure of any size or importance in this country, and the prestige of English banking had never stood higher in the eyes of the world." Remembering that for the last fifty years the Bank of England has become increasingly the bank of all the other banks, that its failure in 1914 would have smashed all the other banks and their branches in these islands, and that the complete collapse of the Bank of England in August, 1914, was a matter of hours until it was rescued by national Credit, and national general Goods-Tickets, one can only explain,

if not excuse, this reported pronouncement from the fact of its post-prandial and super-marine utterance,

When flowing cups ran swiftly round
With no allaying Thames.

So far we have seen that up to 1844 the Goods Tickets were chiefly coinage and notes, while temporarily ignoring a more detailed appreciation of the cheque and the bill of exchange, to which we must now direct our attention. We are aware that throughout the 19th century the continuance and development of the gold and silver mines in America, Africa and Australia, also allowed the creation of fresh metal Goods-Tickets in addition to the note and cheque varieties we are now considering, but it seems convenient momentarily to leave them aside, while analysing the unsound transition from notes to cheques. Here let us return to the hypothetical example we constructed earlier in the chapter, when the isolated community of 300 souls started with a metallic Goods Tickets system of £10,000 in gold.

Now, instead of the banker issuing extra paper Goods-Tickets or notes a different method is adopted. Getting the community to hand in, say, £5,000 for his custody, yet to be at their demand any time, the banker suggests that the remaining £5,000 will be sufficient for their usual needs, furnishing at the same time each depositor with a cheque-book, with which he can safely transfer any of his deposit to any other individual. Taking again the case of our typical inventor, without money, unsophisticated in finance and wanting financial credit—his own genius and the community's goodwill and ability are the real credit—what do we find? After a heart to heart talk with the banker, the scientist comes out, feeling in an exquisite phrase of Mr. Hartley Withers', "as if he had had his soul shampooed by a bishop," and suitably equipped with a cheque-book and "loan" or overdraft, shall we, say, for £1,000. In constructing his plant, paying wages, etc., he, naturally, draws by cheque upon the bank. Now here, of course, we come to a vital distinction, for, in employing this overdraft, he has to use two entirely different methods

of payment, whose divergence has a decisive influence on the situation. Obviously for the weekly wages to his workpeople or the usual bribes to town councillors, he must necessarily employ cash, *i.e.*, the legal tender Tickets of coin or paper. For these the inventor will draw a cheque, and then cash it in his own favour at his bank, which will then lend him part of the general stock of Money which it holds. But for his accounts with, say the architect and builder, cheques will be drawn against his bank loan. Here comes the crux, for when the architect and builder pay in their cheques, these are shown as the *increased deposits* of the payers-in who accordingly appear, that is to say, as having increased Goods-Tickets or Money at the bank. This would be apparent in the statement of the bank's assets and liabilities, though on hypothesis no fresh metal or paper Money has been actually created—as was the case when before 1844 bankers issued notes instead of loans.

But if the possessors of these increased deposits suddenly drew cheques demanding " legal tender " or cash for them, the whole situation would be exposed, and it would be seen that there could not possibly be the amount of cash to back the deposits. Similarly, even before the war, if two of the big banks had attempted to draw out their balances with the Bank of England in gold, it would have broken the Bank. This a banker once pointed out to a representative of the old Lady of Threadneedle Street who is, of course, practically in the position of an enterprising landlady who has simultaneously let the same set of rooms to half-a-dozen people, always requiring them at separate times of the day. If, however, they all suddenly demanded them at the same time, her true function, as an exploiter rather than a philanthropist, would be apparent even to the hardest headed of her trustful clientèle. When the inventor's task is concluded, therefore, he correspondingly draws his Goods-Tickets from the rest of the community, pays them in and clears his overdraft and shows moreover a balance in his own favour. But how, it may be asked, is it all done? By two simple facts: first that the advance or overdraft to A becomes the increased deposit to B, and

secondly that when A, B and C all pay in their cheques with increased titles and claims upon the unincreased original store of gold Goods-Tickets, they are all simply set one against each other and cleared or cancelled out. By this means the most tremendous sums can be turned over with a very small basis of actual legal tender or cash. Nor is this hypothetical example that we have constructed either illogical or impracticable. The modern development of the great banks into what amounts to one enormous Goods-Ticket combine, with its Clearing House, in 1922 resulted in only 0·7 per cent. (*i.e.*, seven-tenths of one per cent.) of the country's business being done in legal tender. So the wheel of financial evolution has come full circle, and to-day our Money system can be seen by the discerning to be as controlled, autocratic, misunderstood and dangerous as the relatively simple organism wielded by the individual banker over his unsophisticated fellow-citizens in our apologue.*

In return to the primitive example, thus instead of any increase of metallic or note Money, there has been an increase in cheque money or banker's Goods-Tickets, which with their real backing of Goods and Services have performed their rightful function of delivering the goods. In other words, to use the vital distinction laid down by Major Douglas, the capacity to produce Goods is Real Credit, which is a communal possession. Of this, Financial Credit should be merely the simulacrum and servant, though it has escaped from its subordinate position with disastrous results. Whenever increased Goods are produced for the community, there should be the equivalent increase of the necessary Goods Tickets—of the right category, *i.e.*, General—and this is the true role of Financial Credit, and not the production, cornering and control of inferior Goods Tickets, which enable the few to exploit Real and Social Credit against the rest of their fellow citizens.

Accordingly, as against coins and notes, cheques have perilous drawbacks. Once the coins or notes are in circulation—no matter if the latter are banker-made—they

* Appendix 2.

can penetrate anywhere in the community, and are acceptable to any member of it, thus vitalizing trade and industry everywhere. This the cheque cannot do, so that it is a Goods-Ticket incomplete, the measure of its incompleteness being its control by the banker. Being not negotiable and also not legal tender, it must be regarded as definitely inferior as a Goods-Ticket to coinage or notes.

As a further example of the haphazard and Topsy-turvy way in which our Monetary system has "growed" during the last three hundred years, the development of the cheque Goods-Ticket currency was in contradiction to the probable purposes of the Bank Act of 1844 which, however, "was evaded by the banking community." Theoretically, no doubt, all cheques were payable in gold on demand, on the fallacious assumption that the true backing of a Goods-Ticket must be gold—itself only raw material for one particular kind of Goods-Ticket. Practically, of course, the cheque currency rests on the backing of actual goods and as such is merely an inferior Goods-Ticket and therefore, admittedly liable to be misapplied against the public weal. So in Mr. Hartley Withers' weighty words, "the responsibility for the manufacture of currency and credit has thus passed into the hands of the banks, which carry it on without any restriction except that dictated by their own discretion and judgment" (*Meaning of Money*, p. 296). It is, however, unfortunate that the late editor of the *Economist* omits to give us his formal assurance that our financial hierarchy is as infallible in motive and judgment, as it is absolute in power over the national monetary system.

In conclusion, therefore, of our analysis of the cheque Goods Ticket we must revert momentarily to 1844. Driven off note creation, the banks were forced to cheque currency manufacture as they have since continued. An example will make this clear. If A gets a loan or overdraft of £2,000 from the Midland Bank and pays £1,000 to B banking at the Westminster, and £1,000 to C a customer of Lloyds, then the two latter banks each show increased deposits, from which they in their turn can equally make

fresh advances. Of course A has to repay the bank £2,000 when he markets his goods, but the increased deposits of B and C still remain. What, however, has happened? Under the old notes or paper Goods-Ticket issuing policy, A would have received so many new Goods-Tickets and these would have passed into circulation and, balancing against the new goods, there would have been the required expansion of currency or credit (*i.e.*, goods tickets) against the expansion of goods—in other words, something that is neither inflation nor deflation, but progress *plus* some stabilization of prices. Under the new cheque Goods-Ticket system, A is given the right merely to draw upon the actual existing stock of ordinary general Goods Tickets (coinage or notes) for dealings with the public—payment of wages, petty cash, etc. In the end, of course, his overdraft is cleared, but A, B and C now have extra claims on the ordinary currency. At the same time, however, these extra claims, which are increased banking deposits, are not necessarily inflation, because the goods have been presumably created, and the final basis for all Goods-Tickets —whether as currency in the concrete and particular or Credit in the abstract and general—is Goods, not gold or paper. But this does at all events bring us to the crux of the present financial impasse and impending crash. For with the increased Goods, extra Tickets are *ipso facto* required. This being so, the more Goods there are being produced, and given no increase in general Goods-Tickets of gold from the Mint or paper from the Treasury—the more will the hold and control of the existing store of Goods-Tickets pass into the hands of either those who manufacture the cheque currency or their selected favourites.*

From this there is no escape, for it arises from the double aspect of the cheque. What is in the bank-parlour a perfectly sound Goods Ticket, is as far as the community is concerned in the bar-parlour, not a Goods Ticket at all, but a destroyer or controller of other Goods-Tickets. Of course, at times enormous transactions may occur in the

* Appendix 3.

cheque currency—between say two or three dozen large firms—where there is nothing but a series of book entries pretty well all cancelling out, but all the time those written figures represent a definite potential and legal call upon the community's ordinary Goods-Ticket or currency, whereby the mass of citizens obtain their daily wants and necessities. Within the area covered by purely banking transactions, the cheque Goods-Tickets—only valid by reason of the community's Tickets, which they usurp and in part destroy—can be and have been enormously increased, until they have gone far beyond the general Goods Tickets as any possible basis for them. Hence the circulation of Money—assuming no increase in general Goods-Tickets—is gradually becoming weaker and weaker among the community in general, thus inevitably crippling and preventing the adequate production of goods. People literally have no Money, and are forced for the necessities of housing and furniture to mortgage the future increasingly: that is the real basis of the deferred system of payments, and its popularity to-day. And yet at least half a dozen times this fallacy in our unsound currency system has been broken, thus half a dozen times saving the country from economic collapse—simply by the issuing of general Goods Tickets as in 1914-1918, enabling people both to produce and exchange Goods in such overwhelming quantities that, in spite of the absence of millions of troops, we surmounted the sabotage of war and enjoyed probably the greatest industrial boom in our history. That this expansion of currency was unnecessarily and inequitably adjusted to give our gold-hogs and bond-holders an immoral lien upon the rest of their fellow citizens is true, but the remedying of this is a technical problem, whose solution though not difficult is not at the moment relevant.

In the meantime, while this credit exploitation of deposit-creation has been operating more particularly since 1847, its working was considerably masked throughout the 19th century by the constant provision by the Bank of England of increased quantities of general Goods Tickets. These were the pre-war sovereigns, which as we saw earlier,

permitted the 19th century expansions of industry, particularly noticeable after each gold mining rush.

There has been an interesting development, too, as a result of the transition from Currency expansion by General Goods Tickets, to Currency expansion by deposit and cheque creation. The early 19th century banker was engaged largely in developing industry—whereas to-day he will not advance money except on gilt-edged security, thus reserving the country's currency ultimately for the international exploiter and enabling the financier to hold up our manufacturers. On the other hand, before the War, in Germany an unknown man, with a clever scientific device, could go to a bank and show them that he could sell it in quantities, if financed. The bank, with its own mining, engineering or scientific expert would go into the proposition and its marketing possibilities and provide appropriate capital, even helping to choose a site for a factory. When established, the factory would have the technical expert as the bank's representative and the inventor's financial assistant, while every German Consul would be informed of the new invention and told to push it accordingly. Germany's tragedy, it might be said, is that she was winning the peace hands down by these methods, until she went in and lost the war. To-day, instead of fighting with each other, employer and employed should realize that it is the Banks who are their common enemy, as they are the enemy to-day of every consumer in the country. Whether their enmity is based on ill will, or merely incompetence, is irrelevant.

As the result of the war, however, to avert collapse we changed over to paper Goods-Tickets, and parted with our gold to the U.S.A., as was inevitable under the prevailing conditions. As this involved the surrender of our control of the money market of the world, built on the gold standard, our financiers were after the armistice presented with a magnificent opportunity to discard that fallacy, and regain the world's financial leadership by internally de-monetising gold, developing our Treasury notes and thus entering a period of tremendous production, which would

have wiped out our American debts and thus regained the gold we had shipped to them. It is, of course, inevitable that the American financial pools would for obvious reasons have done their best to keep the debts in being, as a form of control over us, just as they are now sitting on their vaults full of gold and refusing to let them out as Goods Tickets to give their own countrymen overwhelming prosperity. At present, however, in Great Britain, " no gold is now bought as formerly by the Bank of England— and unless that institution makes additional loans or investments, there is an automatic throttle on the expansion of bank credit and the trade revival must be brought to a standstill " (Rt. Hon. R. McKenna, January, 1924). In other words, the choice is envisaged apparently as lying only between gold and a policy which increases bank control over our present supply of all currency, there being a failure to recognize that there is a third alternative which can satisfy the legitimate claims of all members of the community.

This leaves us only the bill of exchange as the sole outstanding form of currency or Goods Tickets for consideration. Briefly this functions as follows. For example, Cyrus K. Spearmint of Oshkosh (Texas) sells the annual consignment of his chewing-gum crop to his English distributing agency, Messrs. Stickit, about June, after the *Prosopis dulcis* harvest is fully gathered in. Knowing that professional football does not begin until the end of August, and that sports outfitters will not settle any accounts under three months from invoice date, Messrs. Stickit do not want to pay Cyrus K. in June, while the latter has no desire to wait until November. Accordingly Spearmint drafts a " bill of exchange " at 60 days, with three days' grace, for £30,000 on Messrs. Stickit at London and hands it to his bank. It is then endorsed by the bank, sent with proof of despatch of goods insured to the London Agents of the American bank with its branch at Oshkosh (Texas). The bill is then forwarded to Messrs. Stickit, who take the accompanying documents and accept the bill, which then becomes a *negotiable instrument* varying in

value, of course, according to the desire to cash it before it matures or becomes due, for which the holder is ultimately dependent upon a bank. As a negotiable instrument it now becomes currency or a Goods-Ticket circulating chiefly, however, in a restricted orbit of banks, accepting houses and " high finance " generally. In other words, like the cheque to which it is closely akin, it is only a bankers' Goods-Ticket and as such therefore proportionately prejudicial to the rest of society. Ultimately, the real backing for these bills of exchange (the Goods Tickets permitting the function of foreign trade) is the appropriate crops of wheat, maize, cotton, or manufactures of locomotives, woollen goods, coal, etc., which finally are marketed and thus cancel the original bill, and prevent it from being inflation.

But from the relatively simple bill of exchange there are two developments that are of vital importance. Just as the home banker advances a loan, or overdraft to a customer, so he can arrange a draft for Cyrus K. Spearmint in London on his *securities* instead of his *produce*, which will later permit a genuine bill to clear the American bank's credit this side. As ability to do this tends to stabilize fluctuation in the rate of exchange between countries, caused by the fact that at certain periods of the year, owing to big harvest and crop movements like cotton and wheat, there is a wide difference between the claims of one country respectively on the other, this special manufacture of currency is not merely pardonable but praiseworthy. The next development came, however, when astute money manipulators began to create bills of exchange on securities, merely to obtain cash or finance operations quite apart from the production of goods. With international banking houses and financial pools it was obvious what would be the next move. All that is necessary is for, say, X in New York to sell Y so many francs, for example, to be delivered so many days or months ahead. With a sufficient number of transactions like this, and their cabling to all the stock exchanges over the world, the price of the franc is everywhere affected, and hence the purchasing power of every holder of them and every Frenchman. This has

meant the forging of the weapon, chiefly since 1919, which first depressed and then, in other hands rescued the French franc a few months ago (March, 1924), when the world saw the effect, though it has not yet grasped the technique, of a power which can do as much damage to a state in twenty-four hours as a military raid over its borders, or a bombardment from the air.

Two points, however, may here be emphasized. Though the real meaning of Money as merely Goods Tickets has not been yet realized or accepted by orthodox economists, amongst the exceedingly few writers who betray any knowledge of the practical working of currency, it is fully admitted, "that the cheque alone is manufactured by the bankers without any limit or restriction by law or government regulation. By this interesting development," continues Mr. Hartley Withers (*Business of Finance*, p. 40), "the manufacture of currency which for centuries has been in the hands of Government, has now passed in regard to a very important part of it, into the hands of companies, working for the *convenience of their customers and the profits of their shareholders.*" The italics are, of course, our own; so to the inquiring sentimentalist who would bleat, "But what about the public interest?" we would reply that, if the public neglects its own interest, it is scarcely fair for it to expect the over worked and underpaid financier to spend his scanty leisure on altruism, for whose reward he would have to wait until the next world. Hence, just as the banks create the anti-social cheque Goods-Ticket, by supporting the accepting houses they make valid the bill of exchange. "*If the producer of the produce is the original creator of the bill* (italics ours), it is the acceptor who by his signature gives its currency and hall-marks it for the purposes of the London market . . . . so that it is by the judicious and properly regulated use of their names, that the accepting houses put into circulation an enormous mass of credit instruments" (*Meaning of Money*, p. 162). Though, of course, all these international Goods-Tickets, like the home cheques, amount to thousands of claims on non-existent gold, they are in practice

"cancelled out" against each other, so that a small balance of actual bullion or transferred title thereto is sufficient to carry the trade theoretically involving probably a million times that quantity of gold. On this we may quote with emphasis also the Hon. R. H. Brand in his *War and National Finance*, pp. 49-50: "International currency is needed, and after gold by far the most common form is the bill on London bought and sold through the medium of the Foreign Exchanges. This great trade in bills is carried on by means of the capital, credit and resources of the merchant bankers, discount houses and the great banks of London. (There are often probably £300,000,000 worth of bills at once.) . . . The whole monetary machine rests at bottom on the great banking resources of London *supplied* by the millions of depositors." Finally as reported in the *Observer*, May 25th, Sir Felix Schuster admitted "Bankers must borrow before they can lend." Incidentally the argument advanced by Mr. Hartley Withers (*Op. cit.*, p. 41) in proving that the banks create the cheque currency is somewhat dangerous, as it does not clearly grasp the anti-social nature and inherent weakness of the cheque, as against the note, or the fact—elsewhere emphasized by him—that the real basis of all currency is or should be actual goods.

Accordingly we have now followed the logical and, in part, the historical development of our Money system through the 19th century, and have reached the conclusion, confirmed by parallels from the past no less than by the unconscious reasonings and practical judgments of the few but faithful monetary writers of the present, that all Money is every day and in every way nothing but Goods Tickets in principle. It behoves us therefore before attempting to proceed further to "gang ower the fundamentals," and further define our terms to avoid any misapprehension. Credit is best taken as the organized mechanism of society, constantly becoming capable of greater production, even if it may actually be producing less. Adopting Major Douglas', famous distinction, we may differentiate between Real Credit whose possibilities are obviously always

increasing, and represent the Goods and their production, and Financial Credit which stands for the Goods Tickets and their distribution of the Goods. Clearly Real Credit is primary to and should control Financial Credit, but there are occasions, as now, when the latter has dispossessed the former with disastrous consequences. In coming down to Money itself, it may be found that the diagram below will best convey a more detailed analysis and show the alternative terms. Obviously, when civilization was sufficiently advanced, the next stage was a bank where suitable coinage could be left in security. Naturally, what was founded for the public welfare, tended to be turned by its wielders to their own benefit, just as all government, established for the benefit of the governed, is apt to be exploited in the interests of the governors. It will, of course, be borne in mind that any community at any stage may show almost any admixture to the varieties of Goods Ticket.

MONEY
(= Goods Tickets. Currency)

- State-made
  - general tickets i.e. coinage
    - various i.e. cattle, leather, rocks, beads, etc.
    - metal i.e. gold, silver, copper, etc.
    - paper i.e. Treasury Notes, Greenbacks, Chambre de Commerce notes, etc.
- bank-made
  - general tickets i.e. coinage
    - paper i.e. bank notes.
  - controlled tickets, paper, i.e. cheques, bills of exchange.
  - loans, credits,
    - controlled tickets, paper, i.e. cheques, bills of exchange.

In summing up, it must be realized that the forces of present day Finance are all centripetal in tendency, and as banks amalgamate and financial combines and trusts increase their scope and perfect their organization, they are controlling the Money and Distributive System of all countries in a tighter grip and while progressively exploiting the easier won wealth of the tropics with its inferior peoples, they are necessarily allotting to us the

rôle of merchandisers and officials rather than manufacturers and independent individuals. Hence the more masculine and imperial trades of seamanship, engineering, mining and agriculture, in which together with politics and science the Anglo-Saxon genius is supreme, tend to pay a smaller part, while finance, bureaucracy, salesmanship, advertising and the more parasitic occupations of a luxury civilization flourish exceedingly. Unfortunately Finance, speaking generally, does not attract the individually or racially superior types and therein lies our deadly peril. We must maintain our higher level of life and political and moral ideals against those of communities and races full of the jealousy of inferiors. If we are to do this successfully, we must master and practice the principles and technique of Money, as we have learnt those of Government, and stamped them indelibly upon those peoples of the earth to whom the rest of the world must look for leadership and guidance.

CHAPTER III.

CREDIT EXPLOITATION.

All finance always depends on the stability of the social structure, which has to be maintained by Government. When politics go so far awry that this stability is in jeopardy, the Government has to pledge the resources of the nation to uphold the fabric of finance.

HARTLEY WITHERS. *War and Lombard St.*

All our credit system depends on the Bank of England for its security. On the wisdom of the directors of that one joint stock company, it depends whether *England shall be solvent or not*. . . . All banks depend on the Bank of England and all merchants depend on some banker. . . . The directors of the Bank are therefore, in fact if not in name, trustees for the public, to keep a banking reserve on their behalf: and it would naturally be expected either that they distinctly recognised this duty and engaged to perform it, or that their own self-interest was so strong in the matter that no engagement was needed. But so far from there being a distinct undertaking on the part of the Bank directors to perform this duty, many of them would scarcely acknowledge it and some altogether deny it.

BAGEHOT. *Lombard St.*

We have thus seen that all Money is merely Goods Tickets and that for practical purposes it falls into four grades:—

A. For the general public—
1. Coinage.
2. Notes.

B. Bank-controlled—
1. Cheques.
2. Bills of Exchange.

As the mobile goods in the world have to be circulated by all these Tickets, it is obvious that a disparity of range and force between the two categories A. and B. will reveal itself in result. Though founded on coinage and notes, cheques and bills of exchange control them, and indeed any private attempt to add to coinage and notes would constitute

the serious legal offence of "coining," though purely commercial bodies like banks and accepting houses are daily coining money as much in principle as any honest "smasher," toiling for a precarious subsistence in a back street slum.

Probably, however, almost any crime may be canonized —if only it is sufficiently large. As, of course, one of the elementary facts of finance (and as such quite unrealized by the public), that one bank's loans become another bank's deposits,* it is obvious that the only check on the increase of bankers' Goods Tickets is the opinion of the banker himself as to, first what he considers suitable in the customer's unpledged securities and, secondly, what relation he thinks desirable between his own liabilities and assets. Even after this, resort may be had to the Bank of England, whose loans constitute its own deposits. The third member of the financial trinity is, of course, the accepting houses, who create international currency by hall-marking bills of exchange, though they in turn are dependent on the banks, who demand "works" from their customers in return for "faith" in themselves.

And yet all this can be developed step by step, starting from the simplest organism of one small bank in a primitive community, passing through an era of many competitive banks to a final co-ordinated and centralized body, whereby the whole Money system of the country passes into the hands of a few individuals who have abolished any effective rivalry, and are then the masters of the National Credit instead of its servants. But, it might be urged, these are the experts and, as having the ripest knowledge and widest experience of the system, they must be permitted to administer it accordingly. Utterly denying any suggestion that our present banking hierarchy is performing its most important function adequately, we would point out that the "Hands off the expert!" policy betrays a disgraceful confusion of thought. Credit or currency is one of the most vital things in the world, and accordingly its policy must be decided by the community, though its details must be left

* Appendix 2 I.

to and executed by the experts. A suitable analogy would be the use of chloroform. What would be said if it were suggested that it existed only for the medical profession, who were to employ it purely in their own interests? Manifestly, it should be used for the benefit of the community, but equally the actual details of its administration are a purely technical question to be left to the anæsthetists. Do electricians decide what members of the public should be allowed the telephone? In other words, policy is the prerogative of the community: its execution the function of the expert.

To our analysis so far, we must now add three factors, which, however, do not in any way invalidate the principles that so far we have reached. In the first place, where before the war the analysis of Bagehot and Mr. Hartley Withers was a sound one, in that it showed that "the solvency of England" depended on the chief member of the banking trinity, the outbreak of war in 1914 revealed that the Bank of England was trading on the National Credit, rather than the National Credit trading on the Bank of England. Within measurable hours of collapse the Bank was rescued by the Treasury, but on what grounds? Simply that the crash of actuality showed up the fallacy of gold and cheques—as internal media—and because the Bank could no longer furnish sufficient gold from that bought in by it from the mines. The Treasury, in our behalf, then recovered its abdicated sovereignty of coinage and furnished the notes. The value of these was £320,000,000 (*Bankers and Credit*, p. 68, Mr. Hartley Withers) so with a *public cash* currency—not a restricted bankers' claims on currency—is it any wonder there was a boom? The Rt. Hon. R. McKenna in his January, 1924, speech recommends that, as before the war the Bank of England gave us all our extra currency (whether gold, general Goods Tickets or bankers' claims on Goods Tickets), to it should now be handed over the complete right of all paper issue. This is something on the lines of the recommendation of the Cunliffe Committee, which urged that, instead of the Bank having as in 1847, 1857, 1866 and

1914 to appeal to the Government to allow it when *in extremis* to issue notes *ad libitum*, it should have in future to get only the consent of the Treasury. This wily wangle is passed quite unsuspiciously by Mr. Hartley Withers, as a change "merely one of form rather than of principle." And yet what is it in reality? Surely every reasonable man, and *a fortiori* every educated man, must realise that the coinage is one of the few indefeasible prerogatives of sovereignty, and that therefore to suggest that a purely commercial organization should be permitted to break into it yet further, on the secret authorization of some obscure bureaucrats, is an amazing piece of unsound financial and constitutional reasoning. Mr. Withers' comment that "the Chancellor would naturally not meet the request of the Bank of England for the power to break the law, without consulting his official advisers at the Treasury," again misses the point completely. Manifestly, the whole question is one that should be decided only by the House of Commons, in fullest discussion as the national representatives. Equally obviously, that is the last thing that the money-magicians want, and the first thing they need. At all events, the cessation of gold buying by the Bank of England, and the existence of the Treasury notes and closer co-operation than before the war, are factors to be recognized in any view of the present financial situation, to that extent superior to what we had in 1914.

Secondly, it is interesting to note how wide is the range of suggestions from orthodox economists as to the cause and cure of "these present discontents." In his latest book, *Bankers and Credit*, Mr. Hartley Withers concludes with a deflationary chapter on many contemporary monetary prophets, of whom naturally he has no difficulty in disposing, as having little to promise and less to show for the future. His most dazzling citations are from Professor Cannan and Sir Charles Addis, K.C.M.G., a director of the Bank of England. The former is quoted from his *Paper Pound of 1797-1821*, published in 1919, that "when the scales at last fall from the eyes of the people of Europe, groaning under the rise of prices they will no

longer cry to their Government 'Hang the profiteers!' but 'Burn your paper money and go on burning it, till it will buy as much gold as it used to do!'" Sir Charles Addis, whose tract *Back to the Gold Standard* was gracefully "devaluated" in the *Spectator* for January 19th, 1924, by Mr. E. J. Strachey, is represented by the following: "to suppose that a people, so conservative by instinct, so tenacious of custom, so careful of tradition, could be induced to trample on their monetary past, and to relinquish the dearly purchased gold standard which, rightly or wrongly, they believe to be bound up with the prestige of their national credit and their supremacy in international finance, is to live in a world of illusion." Mr. Hartley Withers himself admits his bewilderment, however, over the proposals of Major Douglas, though he makes several just criticisms of currency suggestions, purporting to contain something of Douglasism. It is curious to note, however, that he is unable himself to accept or propose any organized remedial scheme, though towards the close of his book he seems gradually to be subsiding into an uneasy consciousness that there is somewhere in Finance an elusive something that he has not yet fathomed. He concludes: "the gold standard frees us from muddling with our money by politicians, has worked right well in the past and may do so again, whenever the politicians succeed in doing their proper job of giving us peace and security and confidence and good will." In approaching nearer to the question, therefore, we must face the fact that there is no ordered body of economic thought yet that will venture to offer Europe anything to redress and restrain her march to ruin. Indeed, in the opinion of some of those best fitted to judge, even if there is no economic collapse in this country, it will only be averted by a desperate and last moment acceptance of Major Douglas' system of increased Goods Tickets, with the control of Price to prevent the expansion of currency being set merely against the existing goods, and thus becoming pure inflation.

Thirdly, this control of Credit (*i.e.*, Money or Goods Tickets) is not a mere "financial" problem. It is a

matter of meat and drink and even of life and death to the citizens of Europe, for between the producer and the consumer always and inevitably stands the distributor, who is the financier. There is no power without a wielder, and as we shall attempt to show from current events, once we have grasped the principle and learnt to read between the lines in the Press, every day and in every way we can see the Money Power of the Few over the Many, relentlessly and inexorably tightening its grip on civilization. To-day, indeed, the pen is bloodier than the sword, for the hand that rules the Credit, rocks the world.

So little is the peril of this realized, that in his latest book *Monetary Reform* (p. 203) Mr. J. M. Keynes agrees with Mr. R. G. Hawtrey, that the "ideal of affairs is an intimate co-operation between the Federal Reserve Board and the Bank of England, as a result of which stability of prices and of exchange would be achieved at the same time." In the great deflationary catastrophe of 1919-1920 it seems pretty clear that those two bodies were working together. On this point, however, we must postulate one thing. In spite of the most careful scrutiny, even Mr. Hartley Withers himself has to admit that the reading of the 1914 financial collapse, the disentangling of the recent relations between the Bank of England and the Federal Reserve Board, and the real workings of the present actions and interactions of the Bank, the big Five and the accepting houses, are obscure and baffling, complicated as they are by financial statements that the crude and unlettered man in the street would describe as "faked accounts."

Bearing these three factors in mind, we may point out the logical development and punishment of the exploitation of the many by the few, in this as well as the other countries of Europe. Working from the same fetish of the gold standard, with the same purely oligarchic currency restriction policy, the U.S.A., with their finance corporations and pools, have now taken from us the leadership of the world. Germany struck in 1914 for world-power based on the sword; she failed, and the result

was that there has now passed to the U.S.A. a world-power based on the fallacy of gold, while London is no longer the world's financial centre and we, thanks to our own folly, pay an annual tribute of defeat of over £30,000,000 to the United States. Having shown that a militaristic civilization is neither final, inevitable nor even successful, we must now show that we have not shattered it to accept the tyranny and exactions of one based on credit exploitation.

At home this tends to involve the alternatives of a Servile State whether socialist or capitalist, while abroad—with the gold standard fallacy—it connotes our financial bondage to the U.S.A. as holding the majority of the world's gold, and being the home of the great financial pools which are the logical outcome of the undue centripetal policy here. "The control of Credit" wrote President Wilson, "has become dangerously centralized. It is the mere truth to say that the financial resources of this country (U.S.A.) are not at the command of those who do not submit to the dictation and domination of small groups of capitalists. The great monopoly in this country is the monopoly of big credits." Mr. Lloyd George in the House of Commons (*Times*, July 17th, 1923) was reported: "When the late Government were considering the question of unemployment and they had to see what resources were available for the purpose of financing export credits, trade facilities, etc., they consulted the governor of the Bank of England. They found he was exercising a control over issues. He would say 'I am against that issue because British trade gets nothing out of it.' He could not stop the issue but his control was accepted by the City. . . . There was a serious suspicion in the industrial community that the bankers were controlling things rather too much—that our policy was a bankers' policy, a lenders' policy, a financiers' policy and not the policy of industry. That had gone deep among manufacturers and business men outside. The whole position had got to be reconsidered."

In comment we may point out that it is not sufficient to set against "a bankers' policy" merely "a policy of

industry." Two things are required—a grasp of the essentials of a sound money system, and a determination to get a national policy, as during the war. Lest anyone should imagine that the banks do not realize their strength as well as our stupidity, we cite the chairman's speech to the Westminster Bank's shareholders on January 24th, 1924: "Government, it seems, will be in the near future a matter not of rash legislation, but of administration carried on under constant and jealous observation, and subject to short shrift if it oversteps the limits of justice and sanity." So long as we have the present system, it will be possible for a handful of obscure individuals at the head of the big banks either to control or even to "upset the whole fabric of government by refraining from renewing Treasury Bills." Nor need we goggle at the American financier, who pointed out that the U.S.A. financial claim against Great Britain was as good as an army corps, and that it should be "kept in cold storage for use at the proper time" (*New Age*, February 14th, 1924). To anyone shrinking from the postulates and conclusions of the fact that Money is simply Goods-tickets, we would here particularly commend a careful reading of the Rt. Hon. R. McKenna's speech to the Midland Bank shareholders last January. He admits that "the amount of money in existence varies only with the action of the banks in increasing or diminishing deposits," and that monetary policy finally "is controlled by the Bank of England, though the action or requirements of the Government may seriously affect it"—or in other words, that the country's distribution system is at the mercy of a commercial board of directors with the Government as only a possible check. What is the check worth, if a financial ring can under the present circumstances hamstring the Government by refusing to renew its Treasury bills? "If there is more money, trade is stimulated, if the amount is reduced, trade is depressed." This confirms Mr. McKenna's famous 1921 speech, when he pointed out that deflation and the restriction of credit led inevitably to business stagnation, so that those responsible mainly for

our appalling trade depression of the last three years, have chastised the community thoroughly for its misplaced trust in its castigators.*

> For in and out, above, about, below
> 'Tis nothing but a blasted Shadow-show,
> Played in a Box whose Candle is our Cash,
> Round which the Bankers' Credits come and go.
>
> 'Tis all a Chequer-Board of Nights and Days
> Where Financier with Men for Pieces plays:
> Hither and thither moves, and mates and slays
> And one by one into Bankruptcy lays.
>
> The Slump no Question makes of Ayes and Noes
> But right or left as wills the Banker goes:
> And he that toss'd It down into the Field
> *He* knows about it all—He knows—HE knows.

Bearing in mind that a correct reading of the situation is not easy, as in many cases though suspecting financial knavery behind some apparently innocent act in politics, one often has to wait months for the fatal but unconscious revelation from some well-meaning underling, who supports the powers that be, let us consider a few examples of the method in which Credit exploitation functions, both at home and abroad. First, however, we must make one point. It is probable that only a select handful of domestic and international financiers are definitely and deliberately carrying out a subtle policy of world domination, while the rest are simply blindly and stupidly working a mechanism they do not understand, taking it as much for granted as they do the laws of gravitation or hygiene. Naturally, these weaker brethren would hotly deny any intention of a super Slave State for their fellow man, but if a man says one thing and does another, there is only one prudent policy —to ignore his words and concentrate on his actions. A dupe is often safer to work with than an accomplice.

One of the simplest examples, we may note, of the working of the Credit exploiters was the taking over of

* Appendices 4 and 5.

Dunlops three years ago. Clearly then, there was no physical shortage of material or incapacity to produce, so that the problem was not one of Real Credit but of Financial Credit. Like several other big firms smitten by the slump described by Mr. McKenna in the Government's restriction of credit in 1920, which were compelled to make terms for credit from financial corporations, Dunlops "sought aid from a financial trust (the 'British Foreign and Colonial Corporation Ltd.'), which was thereby enabled to appoint as chairman of the company one of its directors. At the meeting on February 11th, 1921 (*Times*, February 12th) he then stated: 'The Company was in the throes of a domestic crisis which, though only part of a world crisis, was none the less severe. . . . I then approached my excellent friends the London Joint City and Midland Bank and Lloyds (who are bankers to the British Foreign and Colonial Corporation Ltd.) for the provision of the necessary credits, and I want to pay public tribute to the splendid spirit shown by these great institutions when they realized the true facts of the situation. I was asked to prepare an exhaustive report on the Financial position of the Dunlop Co., and each bank has satisfied itself of the accuracy of my statements through their own accountants, and the credits asked for were granted.' "* Now when a firm receives a credit or overdraft what happens? It puts its goods on the market, and under the present system after a temporary inflation, withdraws money in prices from the consumer and pays it into the bank, which then extinguishes the credit. The final result is that there is not left for the goods created, the simultaneous extra purchasing power or money necessary to distribute them to the home public. Hence they must be exported, and we have accordingly the struggle for foreign markets and the fight to tap the purchasing power of other nations. This is, essentially, the key to the commercial rivalry of the great industrial nations which, unless its real causes are attacked and remedied, will inevitably again lead to World War—and possibly the extinction of Western civilization as we know it.

* Isaac: *Menace of Money Power*, pp. 215-6.

unbeneficed clergy in the episcopal presence." They are, however, little worse than the orthodox economists.

The Banker himself they all praised to the skies—
" Such a carriage, such ease and such grace!
Such solemnity too! One could see he was wise
The moment one looked in his face."

As we write (June, 1924), we learn of the defeat of General Smuts in the South African elections. Probably it is not realized to what an extent the future of South Africa is bound up with the gold standard. No one in these more sophisticated days would assert that the South African War was fought as a War of Liberation, but when we grasp Africa's vital position in the 'nineties as the greatest source of the world's supply of currency, it is more easy to understand, and therefore pardon, some of the devilries that clustered round the intrigues that were dissolved in blood. At the same time, the deliberate introduction of cheap Asiatic labour into one of our colonies was one of the blackest crimes against the British Empire, when we recollect what America has had to pay for the importation of the negro three hundred years ago. South Africa will have a better and a nobler future as a great imperial granary and orchard, with possibly large cattle ranches, supporting a highly developed population of largely independent settlers, with co-operative methods of production and marketing. Back to the land is a sound policy, but we do not want in South Africa the Continental peasant with a mean and restricted outlook, toiling fifteen hours a day on a petty allotment, for such are not the men either to rear or retain an empire. What is wanted is the independent farmer who slaves his machines instead, and has sufficient mental leisure and outlook to train and regard himself as a builder of a younger and better Britain in distant lands, " where the strange roads go down." Despite its pact with General Hertzog's Nationalist Party, the Labour Party under Col. Creswell is mainly British, and significantly enough is strongest on the Rand. Apart from its insistence on the British connection and various Labour proposals, it advocates the establishment of a State Bank

with the idea that the community should control its own Goods Ticket System and Credit. This is, of course, in flat contradiction to Mr. McKenna's plea for the Bank of England's autocracy in this country, and also to the attempt of American financiers to enslave Germany through the Schacht Bank. In view of Major Douglas' visit to Canada last year, and the discussion that resulted before and after his evidence at the Ottawa Enquiry, it will readily be seen that, all over the world, the trend of events is gradually but inevitably marching to a clearer line of division, between the social creation of Credit and its anti-social use by the present powers of Finance everywhere.*

Allusion has already been made to the French crisis of March, 1924. Since that, however, as suggested elsewhere, material facts have later leaked out, which tend to be ignored except by those deliberately on the look-out for them. The London financial houses stood in with the American ones and London banks, by insisting on gold as security, thus showing that though they may attack each other at times, they are more ready in general to work together for the direct benefit of a third party. But the final outcome is the most vital. Germany, operating through neutral exchanges and also through sympathisers in the U.S.A., first started "bearing" the franc, with what results we all know.

Accordingly, in response to anxious requests from stricken France, the Morgan Pool then

hurried up
All eager for the treat:
Their coats were brushed, their faces washed
Their shoes were clean and neat—
And this was odd, because, you know,
They hadn't any feet.

Apparently they were going to be rewarded, one might assume, by some financial concession or loan or something after that kind. A week or so after that, however, it was mentioned in that vague and exquisite vocabulary of the

* Appendix 9 II.

financial journalist, that the price of the accommodation was the evacuation of the Ruhr—though put in a euphemistic locution that quite veiled the vulgarity of the fact. However, even this was too crude, and it was finally formulated that no such condition had been laid down, but that France had agreed to accept the findings of the Reparations Commission which, needless to say, would amount to the same thing. At this moment of writing, France is in the throes of a Presidential crisis, which, we do not doubt, is the direct and traceable result of an attempt in the interests of international finance to impose that smug and ordered acceptance of current financial fallacies, which will inspire the peoples of Europe in Candide's immortal phrase "to cultivate their gardens," while the credit exploiters collect and distribute the produce, returning a fraction to the gardeners, with the injunction that "all is for the best in the best of all possible worlds." And thus we get one of the commonest phenomena in commerce—the labourer of the European and English countrysides engaged in farming and producing the best foodstuffs, eggs, cheese, bacon, meat, etc., which are sent to the urban areas, while he and his children have to live on the cheapest imported provisions. No wonder one of our county medical officers stated recently that the "Devon dumpling" child was no longer to be found in Devonshire, as a result of this increased tendency during the last twenty years of robbing the countryside of its food as well as of its men. "In the meantime Penguinia gloried in its wealth. Those who produced the things necessary for life, wanted them; those who did not produce them had more than enough. 'But these,' as a member of the Institute said, 'are necessary economic fatalities.'"

While American and English international financiers are at the moment more prominent in connection with France, we must not forget there is the Russian question also. Months ago the Liberal and Labour parties were bellowing that "Trade with Russia" would restore everything, and yet what is the situation to-day (June, 1924)? In spite of a Labour Government in office we find

that the British bankers' manifesto is holding things up, and the problem of trade with Russia is going to be settled by an organized combine of our Goods Tickets, administered by a purely commercial body professedly operating in their own interests. The Chancellor of the Exchequer (Mr. Snowden) however, patiently proclaims his allegiance to the present system, as if he were merely one of its loyal underlings instead of asserting himself as the representative of the National Credit. Hence, of course, loud cheers from "the ranks of Tuscany," and Sir Philip Lloyd-Greame's statement: "As long as Socialism in practice takes the form of issuing credits by the Government to stimulate private enterprise, that rather novel form of Socialism will receive the assent of all my friends."

How is it that the recent talk of a Franco-Roumanian alliance has suddenly disappeared? The newspapers, suitably dredged, make no bones about revealing that well-informed opinion is convinced that it was squashed because the London financial combineers refused to float the required loan. Of course, in this particular case, it is possible that the credit exploiters performed a sound service, but this must not be allowed to confuse the issue. The worst profiteer may give quite handsome subscriptions to charity, and that is obviously better for him than abstention, though incidentally it is one of the recognized methods of imposing on the more ignorant and vulgar minds. There are very few people who would refuse to give £5,000 a year to philanthropic organizations—on condition they received £10,000 extra increment accordingly, while the moral excellence of a ruler is notoriously often a successful shield for the immorality of his position constitutionally, until a more normal successor reveals to everybody the logically fallacious foundations of his predecessors. The governing system that the Stuarts inherited was largely that of the Tudors: but where the Tudors succeeded, the Stuarts failed—largely because the first were rulers and the second were not. The Tudors had the divine right and ruled as a matter of course, without mentioning it: the Stuarts did not possess it—except

Charles II.—and accordingly talked about it, instead of practising it. He who can, does: he who cannot, preaches.

These considerations may possibly appear momentarily irrelevant, but, we suggest, the more one investigates the tyrannies that have vexed and defiled the face of Man, though at first each has its own apparent and individual technique, the more one studies them, the more they are reducible to a few sordid fallacies and principles, which, when properly presented to the civilized world, have been decisively rejected as have been in their turn religious persecution and chattel slavery.

So far we have seen that Great Britain, the U.S.A., France and Germany, are each pursuing a policy of anti-social Credit control, while Italy is now hankering after a more material share in the game of grab. In the annual report of the Banca Commerciale Italiana, it is mooted that France's extremity may be Italy's opportunity, more particularly in dealing with the lesser states such as Poland, Hungary, Roumania, Bulgaria and the Levant with also Egyptian possibilities. As British and American financiers have expressed their approval of this, it is clear that for the moment they regard Italy more useful as a make weight to France, and as a catspaw for chestnut extraction from Balkan and other areas of volcanic congestion. At this moment, the Dawes Report, however, is the chief centre of discussion, though the ostentatious employment of the chairman's military title serves to mask the fact of his permanent civilian status as the millionaire head of a large bank. Howbeit, in spite of the modified millenium now threatened Germany by the American financiers, her industrialists are reported (*Financial Times*, June 10th) as in desperate plight for money and credits and, being refused any help by Herr Schacht, are appealing to foreign countries for credit. As the Report insists on the gold standard fallacy, and the establishment of a private bank with issue monopoly and complete Government and legislative immunity, with half the credit being found out of Germany, it is probable that Herr Schacht is not being allowed to use even his modified credit to help his industrial

compatriots, but that they will also fall very considerably into foreign credit power, as a mere bye-product of the workings of American and British financial monopoly.

But the ultimate devilry of the Dawes Report has not yet been realized. Notoriously during the War, while the enemy bled us of our manhood, the neutral bled us of our gold, which under the fallacies of orthodoxy was our very life blood. As before the end the greatest neutral abdicated from a policy of veiled Germanism, the United States can claim to have won the war, for it has left them the strongest financial power in the world. They have in their vaults tons of gold, the raw material for such an outpouring of Goods Tickets that it would expand American production and consequently her civilization, just as Europe had her Renaissance, and England her Victorian efflorescence of "might, majesty, dominion and power." Instead, however, of permitting this which would almost inevitably cost them their stranglehold on their fellows, the American financial pools are straining every nerve to palm off as much as possible of this gold as a basis for the Schacht Bank, which with an issue monopoly and Governmental immunity—as stated above—will clearly be at the mercy of those who provide its actual gold backing. In other words, the Goods Tickets systems of both Germany and the U.S.A. will be under the control of a secret and irresponsible body of private individuals. Mr. Lloyd George, though mistakenly blessing the Report, is much sounder in his instinct when he has an uncanny suspicion that it will not be final, and definitely declares, indeed, that it will be bad for our trade. He is far short, apparently, of any realization that this country is faced by a combination of the first and third greatest production machines of the world, controlled by the first financial power, and at a period when all countries must inevitably compete for shrinking world markets, along a path leading once again to the arbitrament of War. Germany has cleverly demanded the Ruhr as the price of her complaisance, and if M. Herriot wilts before our sentimentalists, or is compelled to cower beneath the weapon of credit power wielded by the American financiers, History

will pronounce that Europe has brought it on herself by failure to realize the true basis of all currency, and that before her wounds, "she nursed the pinion that impelled the steel." From Germany it would be idle and foolish of us to expect mercy, while the Advisory Council of the Federal Reserve Board has definitely stated that it is determined to oust London from its position as the world's banker and broker—a statement which a financial Turveydrop deplores as "somewhat crude." Unfortunately, though various City correspondents are apt to write as though for a new chapter of "Little Arthur's History," the realities of finance must be read in the glories of war and the red hell of the Somme, as a yet trembling body leans against the sandbags, one hand stuffed in the streaming cavity of its face, the other hugging its hanging entrails: close at hand lies a quivering heap of men stunned, dying or slain, while in a lull of the orchestra of death can be heard the scream of a huge grey corpse-fed rat, perched on the parapet, with its upflung muzzle beaded with blood and the froth of insanity.

Though we must for the moment look forward to a coalition between the United States and Germany, it is, however, encouraging to reflect that our Bolshevist friends have carefully evaded the snare of the financial fowler. Recently confronted with the danger of foreign currency becoming their medium of exchange, owing in part to the deliberate policy of external banking organizations, the Russian Commissariat of Finance has introduced a bank note, in which 48 per cent. of the 40 million "chervonetz" are "backed" by bills of lading and exchange—*i.e.*, ultimately goods (allowing for the inevitable modicum of artificial bills) which are, as we have previously insisted, the only final and valid basis for any sound currency. But the Soviet Government has gone a stage further and actually printed Treasury notes without any immediate backing whatever—though clearly, functioning as Tickets, they will automatically find their own backing. With this, however, the Government has reduced prices, and seems to believe that by always keeping the market short of money as well, it can with these two measures establish a sound money

system. This is, of course, half-way between the pre-war system of the Bank of England's control of the money market, and the scientific technique of Major Douglas' Price Factor. No wonder there is a well directed stream of abuse at the Soviet Government, and it is not surprising that Russia is in no urgent need to accept the demands of foreign bankers—unlike "infelix Austria," whose inability to "keep on walking" has handed her over indefinitely to the dominion and heritage of strangers. The Russians have grasped apparently that the machinery of credit is mainly a matter of psychology, and indeed in the last resort all problems in economics and politics must be brought to that final bar of judgment.

It is reasonable, too, to expect that Asia should not escape the blessings of progressive Finance, and curiously enough at present in the *New Age* (May 29th, June 5th) we are being given a carefully documented series of extracts from *Public Debts in China* by Dr. F. H. Huang (P. S. King & Sons, Ltd.). In this it is shown that there was in 1912 first an independent British syndicate tendering for a loan, and secondly an international syndicate known as the Quadruple Group, in which the British interest was represented by the Hong Kong and Shanghai Banking Corporation. Of the first syndicate, Mr. C. Birch Crisp was the head of members representing Lloyds, London and Westminster, and Capital and Counties Banks. For reasons not relevant to our thesis the British Government was hostile to this body, and in an interview at the Foreign Office (*British Blue Book*, 1912), Mr. C. Birch Crisp was then informed "that His Majesty's Government were not, of course, in a position to put pressure on the syndicate interested in the loan, but they could put considerable pressure on the Chinese Government, and would not hesitate to do so at once." In the event, "Sir John Jordan, British Minister at Peking lodged a strong protest against the Crisp loan, and backed it up with what was virtually an ultimatum . . . . and China was thus compelled to apply to the (other) Group." Sitting down and dispassionately weighing up the above, one may ask what

does it amount to? Clearly, as financiers work with our Goods Tickets highly concentrated into Credit, these instead of being employed to develop home production and patriotic purposes, are diverted into an attempt to exploit the myriad hordes of docile Asia, whose swift and easy plundering enables the riches of the East to compel and support the poverty of the West. Based on logically fraudulent claims, these Asiatic bonds can demand the exaction of our gold, just as the policy on which they are based may involve their redemption in our blood. Where, however, ten years ago there would be found two financial syndicates whose quarrels might even have permitted the public interest to come by its own, to-day there would be one only "escaped to tell the tale," naturally with correspondingly increased danger of a tale that would neither bear nor receive public recital. Incidentally, when we realise that a financial body like the Hong Kong and Shanghai Bank has at least one of its directors on the board of the Bank of England, we shall begin to see that those actually in control of our National Money System are as select in quality as they are restricted in quantity.

In view of all these considerations, one wonders if anyone can seriously allege that the League of Nations, whatever the intentions of certain of its founders, can be free from the domination of the international money-controller. It is clear, too, that much of the talk about disarmament can only be such that it is vitally dangerous to the general liberty. To give Major Douglas' statement of it—if the supreme power in the world is the financial, and disarmament were progressive until only one fleet of bombing aeroplanes was left, clearly that fleet would be the possession of finance. War is naturally distasteful to finance: when *homo pugnans* is cornered, he is apt suddenly to evolve into *homo sapiens** instead, with striking results. On the last occasion, he smashed the current financial fallacies of to-day with so much ease and rapidity that he has not yet discovered it. Living on a higher plane then than now, our logic was instinctively clarified, so much

* *Man the fighter . . . . man the thinker.*

so that a general remembrance that no man went short of food or clothing during the war through actual inability of production, still stands sentinel in men's minds, so that in spite of false proofs they must honestly believe to be irrefutable, there is yet a faint feeling that somewhere there is a catch in it. But "behind the dim unknown," the relentless devilry of Finance stalks on, in its silent task to rob its victims even of their means of self-defence. Apparently in complete unconsciousness of its real meaning, the *Daily News* Diplomatic Correspondent reports (March 20th, 1924): "An Arms Convention is being drawn up, under which the nations who sign it will pledge themselves not to allow the export of rifles from one country to another, except by permits which will only be granted under strict conditions. Great care is to be taken that arms shall not be exported 'to backward countries.' One may add that the interpretation of that phrase at the present moment is a delicate matter. It is hoped that the objections of the U.S.A. to the original St. Germain Convention will be overcome by the new Convention. Under the revised articles it will be permissible to export arms to a country that is 'recognized by a majority of the high contracting parties.'" Reverting to what was done to China in 1912-13 when Finance was almost a blunderbuss, where now it is a machine gun, can any reasonable man lay bounds to its use in 1924? If those things were done in the green tree, what shall be done in the dry?

Unfortunately, these arguments cannot appeal to the slave-mind, and yet that is a malady fatally prevalent among us to-day. It is easy to smile at the rural labourer discouraged by squire, parson and farmer, and bewail his lack of independence and economic freedom, yet it is perhaps not realized that the devout urban trades unionist is little better. Working in these enormous "shops," and even in small establishments, he is compelled to "clock in" and "clock out" to his work and meals, and is in general handled in a manner that would never be tolerated in a properly civilized community, though perhaps it may be superficially defended under certain present conditions.

With often little but a day to day and subsistence tenure, on the lowest slopes of a leverocracy with its graded pyramid of power, his only idea of improvement is one of these organizations that merely treats him with kindness and more money, instead of with callousness and progressively lower real wages. Hence his only alternative is the servile organization of Socialism, the one political and economic theory we have received from modern Germany, and stamped accordingly with that country's fatal genius for the Servile State, whether for peace or war. Mr. Sidney Webb as cited in the *New Age*, February 14th, 1924, stated in 1915 that there should be a super-national legislature, High Court and "Council, a sort of armed policeman to keep them in order, or else the nations would all be arming to the teeth." When we realise that this, and Socialism, are all that the present Labour Party can offer us, while probably no recent Chancellor of the Exchequer has ever grovelled so much to the Money Combine as Mr. Snowden, it is clear that they have no aim or objective of economic freedom to offer us. On their present policy, they can do nothing but speed us further on the road to ultimate disaster, for they are working in exactly the same direction as high finance.

In point of fact all three political parties at the moment have nothing to offer us to lead us out of our troubles, but as the Labour Party happens to have been tried least and promised most, it is now enjoying a well-earned innings of futility, though on a precarious tenure. Its Housing Scheme, in which London alone will have to raise annually about £10,000,000, will simply intensify the present situation, as it will involve fresh loans which must be granted by the Money Combine, and give them a further lien upon us. It is not perhaps grasped what these exploitations of Credit have cost us in the past. To take two examples. In 1793 on a 3 per cent. loan, the Government was liable for interest on £6,250,000, though actually only £4,500,000 was subscribed. Similarly in 1797, a loan of £1,620,000 was received, in which every £100 was rated at £219. Nowadays, of course, Money works less crudely

than that. But whenever fresh goods are required, and therefore fresh Goods Tickets to distribute them, under to-day's financial postulates the Tickets furnished are bankers' Tickets, and accordingly their grip on the National Credit and wealth is automatically tightened. Our two examples above refer, of course, to national and not to private loans, and this brings us to a very interesting point. The Labour Party is constantly advocating Nationalization, and there are several industries—coal, railways, gas and electricity—where the chronic discontent of its artisans, coupled with a voting preponderance in Parliament, may bring us quite shortly to the nationalization of any one or all of them, as being the only remedy. The present shareholders would be bought out with Government bonds, carrying a guaranteed and perpetual rate of interest, so that the community would be mulcted by a further permanent addition to its annual taxes, and become more deeply a " bondman " of the financiers and their friends. They will therefore possess more capital, and be able further to develop foreign trade at the expense of the home market, and consequently increase " unemployment " by using cheap foreign labour, and intensify the situation yet further. As regards before the actual introduction of nationalization, agitation, strikes and " unemployment " may operate at first simply to the reduction of private profit and the value of shares. But, as put by the *New Age*, " below that point the loss would be extended to the banking system, which has money out on loan and is always holding such shares as security, if not investment. Therefore, as that point was approached, the influence of the City would be brought to bear, and very soon there would be a mysterious change in what is called 'public opinion,' about what would be termed the 'inefficiency of unco-ordinated production,' and suddenly 'nationalization' would be spontaneously demanded in Carmelite and Bouverie Streets, and prayed for in St. Paul's Cathedral. The end would be that the 'New

world' would be left holding the 'Old World's' baby, and calling out for the gripe-water."*

We can now begin to see the basic reason for the Aristotelian and mediæval condemnation of "usury," which is not merely excessive "interest," but "interest" in any shape, for that is merely furnishing a private profit on a public asset.† The function of all Money is distribution, but as Money can only be a public creation and value, a charge for its use, except by the public instead of by private individuals, is an anti-social practice. Of course, with day-to-day Treasury bills, or the inevitable necessity for some immediate and handy use for credit, destined later for a special purpose, "interest" is a sound and reasonable proposition. It is merely desirable that it should not be misdirected, and measures to prevent this are not difficult when the problem is realized. Incidentally, one of the most fruitful causes of European unrest is that possibly from their partial exclusion from other trades, as well as from their hereditary racial genius, the Jews have shown a most amazing flair for the working and control of "interest" and finance in general, as for luxury trades and, in short, for all those occupations, like "salesmanship," which demand a sordid ability in playing upon human weaknesses, rather than the creative impulse of the engineer, the agriculturist or the manufacturer. Inevitably, if Finance is to control Civilisation, these individual and racial types we are compelled from our instincts and training to regard as inferior must become our ruling class. If Civilization, however, is to control Finance, they can assume their rightful place and probably in time absorb a higher level of aim and practice, whether Gentile or non-Gentile. What applies to individuals and races may equally hold good of cities and countries. As we study the Bellow Press, we note that London naturally as the most central if now no longer the most powerful money market, is fast becoming a place where the satraps of the earth, gorged with the power and plunder of five continents, meet to feast upon their spoils, while furnishing pageants

* See Appendix 6. † See Appendix 9 VI.

in which the citizens of the metropolis are insidiously and insensibly lulled into those that have no part or lot therein, except as gaping helots beholding a grandeur which they can only envy but never share. Just as London, once a great manufacturing city has become increasingly a hive of bureaucrats, clerks and all the babu-nery of modern commerce, so, as under the dictatorship of the financiers we export our machinery to enable them with the cheaper labour and richer resources of the tropics to undersell us in the home market, what has happened to London as our metropolis must befall England as a country.* What is the use of the Labour Government expecting the City to allow London £10,000,000 a year on a cheap loan of 6 per cent. for housing, when oil, rubber and colonial trading corporations are offering 15 per cent. to 25 per cent. dividends, and no nonsense about trades-union restrictions on output from the unsophisticated nigger, believing in "service not self," and with that loyal trust in his employer so often found wanting in the coarser nature of the British artisan? Though a devout supporter of "an intimate co-operation between the Bank of England and the Federal Reserve Board," even Mr. J. M. Keynes deplores that "we are drifting into financing port improvements, housing, electrical developments, etc., abroad at low rates of interest, while forgetting similar projects at home." His qualification of "low rates of interest," but makes the case against the credit exploiter yet stronger.

With interest, loans and bonds "here a little, there a little," the financiers' grip grows gradually stronger. Major Douglas' calculation that 75 per cent. of the £7,700,000,000 total National Debt is held by the banks is not far off Mr. Asquith's estimate of 69 per cent., so that a Capital Levy on individuals (not on corporations) would merely result in transferring so much more to the banks as further invisible reserves, or as basis for fresh loans. Accordingly there is no reason why the City should object to a Capital Levy as, if carried out under the present fallacious conceptions, they have nothing to fear. Similarly,

* Appendix 12.

the orthodox selection of members for the War Loan Commission appointed in March, 1924, equally need cause the City no qualms. It will be about as helpful as a committee of wolves sitting on the shortage of spring lamb, and confusing the pangs of indigestion with the promptings of conscience or the searchings of the intellect. As frequently suggested by Mr. St. Loe Strachey in the *Spectator*, there should be a representative and powerful Currency Commission which should hear all sides and, quite apart from its practical recommendations, also serve as a great educational force which should equip us once and for all, as an Empire, with sound ideas and permanent principles in Finance, instead of the fickle and tangled fallacies of to-day.

In considering our troubles, therefore, we must beware of having false premises or misleading antitheses imported into the discussion. We do not argue with those who deliberately desire our financial system to produce economic servitude for nine out of every ten. There may have been a time when the culture of the few could only be attained by the degradation of the many, and in those days it was simple piety to enlist with the minority. But just as chattel slavery was inferior for productive purposes to the 19th century industrial system, so this latter, now lapsed into wage-slavery, will be found productively a frail and broken instrument compared with a society of freemen working together on a contractual basis, instead of one founded on caste and status, the rottenness of which as a cultural theory even India is beginning to suspect and ponder. Equally in the more detailed and technical sphere, we cannot accept the halting logic which would offer as an inevitable choice, either control by the Bank of England or the wild inflation of Germany or, again, even permanent "employment" with a low wage, with the alternative of spasmodic "employment" and a higher wage and sporadic trade restriction. Ignoring these false trails, we argue that houses, clothing, education and other essential goods and services are wanting.

But, says the objector, they cannot be produced under the present economic system: therefore we must go without. This is, manifestly, imperfect reasoning. There is the alternative that the system is out of order, so that it must be challenged, for given the present false economic premises, civilization is on the edge of bankruptcy. What can its apologists offer? We cite the reported words of a prominent banker recently: " . . . I am still convinced that it is no good tinkering with our National finances, in the hope of restoring the well-being of this country by *artificial* means. Dull and irksome though it may be, we must follow the paths of *economy* and *hard work,* and above all we must not barter *the sound financial birthright we have received* for a mess of pottage of a simulated and transient prosperity." To comment on the passages here specially italicized, we must point out that the use of "artificial" suggests a hopelessly unscientific attitude of mind, highly mischievous in a position of responsibility. Would the speaker protest if, after being rescued when apparently drowned, he were restored to life by "artificial" respiration? Would he advocate that victims of pyorrhea or sufferers from myopia should dispense with "artificial" teeth or "artificial" aids to eyesight? As regards "the sound financial birthright we have received," it was estimated before the war that one person out of every three in the population was living below the proper standard of subsistence—a remarkable and curious confirmation of this being made from a source entirely different in origin and time, by the 33 per cent. unfit of the male population discovered by the military medical examinations. The production ability has been ours for the last thirty years at least, so that there can be no alternative left but the financial or distributive mechanism as the factor of breakdown. The allusions to "economy" and "hard work" are, obviously, symptomatic of the servile virtues of stinting, meanness and quantitative toil, instead of the more masculine and imperial characteristics of enterprise and qualitative ingenuity. Sober and prudent men, on reading such a bastardy and Bolshevism of logic as the

above quotation, may well tremble for the next folly of those who sit in high financial places. Verily our bankers can boast with truth that they are not numbered among

> Those witless men who dare
> To try to rear the changeling Hope,
> In the cave of black Despair.

Undoubtedly, before the war the Bank by putting out gold, constantly provided additional currency, so that during the 19th century the essential expansion of civilization was unnecessarily and unwisely conditional further on the accidental fact of gold discovery. Manifestly to-day in the classic phrase " this will never do," and the control of currency should now be national, as is that of the army and the navy. What, however, does Mr. McKenna, for example, advocate? Merely that the right of note issue should be " placed again exclusively in the hands of the Bank," or in other words, so far from the Government, as our servants and trustees, issuing us fresh paper or other coinage (only valid by national credit and acceptance), they should abdicate in one of the most vital functions of sovereignty—the right of coinage—for the benefit of a board of directors sitting in secret conclave and responsible only to themselves and, on Mr. McKenna's own showing, largely to blame for our present industrial disasters! Nor does he envisage anything else. " Sir," thundered the immortal Thwackum, " when I talk about religion, I mean the Christian religion, and by the Christian religion not merely the Protestant religion, but the Church of England as by law established." " Sir," modernises Mr. McKenna, " when I talk about finance I mean sound finance, and by sound finance not merely the modern Credit System, but its working and control by the Bank of England, as by law established." The mere statement of these amazing equations in identity is sufficient to reveal their fallacy. *Si monumentum requiris, circumspice.**

The chairman of the Midland Bank points out, however, that while inflation and deflation are undesirable—the too

* *If you seek a memorial, look around.*

much or the too little currency—there is a middle term, *i.e.*, the expansion of currency simultaneously with the increase in goods, which must clearly require now more goods-tickets to move or distribute them. In other words *the desired objective is obviously with the creation and marketing of goods, the simultaneous creation of the extra goods tickets or money with them.* When a manufacturer turns out so many new tables, for example, there is no proper or adequate arrangement to supply the extra goods tickets or money for them. There is, as it happens, extra money provided—but it is bankers' goods tickets, *i.e.*, loan credit, and they are not goods tickets that circulate amongst the community. Again too, when these required new goods tickets are provided, there must be a suitable restriction or fixing of price (*i.e.*, relation of tickets to goods), for without scientific control of price any expansion of currency (cash or credit), inevitably becomes inflation, because prices are automatically put up by the holders of stocks. The horrors of deflation we already realize, so that with Price-control, capable as it is of infinite and exquisite adjustment, the productive system can function by the delivery of goods, rather than the manufacture of "money" for the few and misery for the many.

Hence with an imperfect Goods-ticket system, it may become a tyranny and used in the interests of the Few against the Many, just as military, ecclesiastical or political advantage have been employed in the past. The human race has, in the superior civilizations, solved these knotty problems, but it has yet to realize the need as well as the technique for the control of financial exploitation. Just, however, as a great War often has given the opportunity to crush an anti-national and crippling political oligarchy, so Western civilization should take its offered chance now to smash finally the priesthood of the Golden Calf busy hurrying humanity in deed, if not in desire, to another Moloch of immolation.

CHAPTER IV.

THE TREND OF INDUSTRY.

I passed by his garden and marked with one eye
How the Financier and Trader were sharing a pie:
The Financier took pie-crust and gravy and meat.
While the Trader'd the dish as his share of the treat.
When the pie was all finished the Trader, as boon,
Was kindly permitted to pocket the spoon·
While the Financier received knife and fork with a zest,
And concluded the feast by devouring his Guest.

LEWIS CARROLL (adapted).

PETER: Why, the whole game's a fake. If it weren't, how do you suppose I could afford to advertise?

FRANCIS: Do you talk that way to your customers?

PETER: I usually tell them that advertising lowers selling-cost by stimulating production (grinned Peter); but I don't kid myself. As far as I'm concerned, advertising by stimulating demand, enables me to get a high price for a very ordinary article.

GILBERT FRANKAU,
The Woman of the Horizon.

So far we have seen that all Money is Goods Tickets, and that the evolution of cheque currency connotes the progressive claim and control of all the community's Tickets, and ultimately therefore of its Goods, by commercial bodies manifestly in business for their own advantage and making no parade of any other aim or desire. We have, obviously, the actual issue of notes from the Treasury, but it is notoriously hand in glove with the banking organization, which here is shared in superficial competition between five firms and is, in effect, merely a vast Money Combine. These between them hold all our credit, which being interpreted means that, working with the Government and great financiers, they are able always by appropriate deflation and inflation and by the exquisite handling of a machine whose existence the business man, like the general public, scarcely suspects, to control and distribute the nation's real wealth—its brains, character, energy, skill,

goods and machinery. Hence at this moment when our really vital industries of coal, iron, cotton, shipping and agriculture are moving to disaster, while of our population thousands are in want and millions are imperfectly satisfied, our banks are growing daily stronger and extending everywhere. If all over the kingdom we find trade generally slackening, and yet in one particular trade—the merchandizing of credit and money—every day in every way and in every place it grows stronger and stronger, is that not sufficient *prima facie* cause for an investigation that would seek for a causal connection between these two factors? Nor is this phenomenon found only on the more humid shore of "The Big Drink." The leading American organ of the canned goods trade points out that the greatest factor in holding down production in 1923 was not weather or crops, but "that Old Man of the Sea, the bankers. Last year they told the canners that they could not add to their capital investment by the buying of new . . . machinery . . . but must sell out . . . to clean floors." In another issue, the same paper deplores that the bankers "are on the backs of all business, and their branches are springing up on every corner, and thereby piling up a score which will be heavier in its exactions than were ever the saloons which they have replaced . . . . Business has to pay for the palatial structures and innumerable branches of the banks, and this tax is out of all proportion . . . . The money-changers are exacting too much, if not their pound of flesh" (*The Canning Trade*, March 31st, 1924).

It will be readily seen that with the general shortage of Goods-Tickets, the most frantic efforts of commerce are directed from their legitimate object of production to a secondary one of money-getting. Hence closed trades, monopolies or combines are compelled to concentrate on this, and as the fight grows fiercer the selling policies and methods of many large firms are constantly falling lower in the ethical scale, as they struggle for a meagre share of limited "purchasing power," instead of finding and removing the cause of its restriction. The Trades Unions, too, forgetting that though their men are producers in

one thing, they are consumers in everything else, strike for a few shillings a week extra—not realizing that a rise from 50s. to 60s. a week is worse than valueless if the 60s. is then worth less than the original 50s., owing to inflation or obscure credit machinations. The only limit of currency supply is that below which the resulting encroachment on their subsistence level will drive men to revolution. Hence generally the wages level is as low as men will accept, and the dole is accordingly defensible as a bulwark against Bolshevism. The middle classes are progressively allowing their standard of life to be pushed down to one involving the sacrifice of their wonted amenities of civilization, while by playing on the jealousy of one section against another, even the scattered enclaves of economic independence are being subdued. As Mr. Baldwin has pointed out, the "sheltered" industries, not experiencing foreign competition, have all improved their position at the expense of steel, iron and other trades whose workmen, under the present pernicious economic fallacies, are being invited to descend the scale of civilization and reach the level of inferior races. Thus the British artisan to-day asked to "compete" with the docile Teuton knuckling under to twelve hours daily as factory fodder, to-morrow may be logically requested to "meet the competition" of the teeming spawn of servile Asia.

In the meantime, machinery marches from strength to strength so that, again from our current fallacies, ten per cent. of the community holding all the mechanism could enforce starvation on their non-possessing fellows. No wonder the obscurantist and mediævalist denounces machinery, confusing its essential non-morality with the immorality of its use to exploit and degrade human nature. This point is vital. Adam Smith relates how the self-acting valve on the steam engine was discovered by a boy who, as a sensible human being, instinctively revolted against the drudgery of having to pull a string all day. Now that particular scientific advance could be used either to raise the level of civilization, or extend the power of the Few over the Many; so far with the present currency system,

mechanical progress is employed disproportionately on exploitation and anti-social ends.

All this, of course, is the result of the present direction of Finance, for controlling as they do the nation's Credit, the money-dealers are able to apply it as they think fit—which is, inevitably, a very different thing from what is actually of national importance. Hence the big combines with the banks or finance corporations supporting them, can get their credit facilities obviously with greater ease than can the small independent man. For him there is progressively less place in the present economic system, dating back to 1844, when the Bank Charter Act stopped note money issue from the local banks, and led to their final absorption and gave us ultimately the present Bank Combine. Thus, equally from the Socialist and from the big combines backed by Finance, we are threatened with the Servile State in which, like Feudalism, there are so many almost self-contained communities internally arranged like a pyramid, in which only the head, or a few of his subordinates, can possess any real economic freedom. Hence we have these combines, which with virtual monopolies are able at the consumer's expense to build their model soap settlements and cocoa kraals. With an artistic system also of deferred wages, misnamed pensions, and all the elaborate leverocracy of American management, they are thus able to control their hand-picked, spoon-fed helots, in a way that for subtlety and success far surpasses the methods of the old-fashioned squire and the pre-war Prussian. These underlings are obviously not the material, like the yeoman, the small "master," the village grocer or the skilled artisan of fifty years ago, to produce an empire building race or even one to maintain it: and that is the final condemnation of the system.

It has been stated that, under the present régime, the mechanism of industry is directed towards the getting of Money or Tickets. If this is the vital link in the productive chain, whereas it should be either national need or scientific process, it is neither logical nor fair to reproach the average business man for the non-social orientation of

his commercial policy. Even so, however, there are a few who recognize that, in our present tendency, " while easily maintaining our supremacy as transporters, merchants and financiers, we are in danger of losing our business as manufacturers,'' as stated recently by Sir Henry Whitehead of Salts (Saltaire), the great Bradford wool firm. Let us therefore attempt to consider more particularly, how events are consequently shaped in practice.

Given a limited supply of Money, and one which is gradually getting smaller in the public hands, (because of the increasing development of the claims upon it by cheques constantly arising out of fresh creations of loan credit), clearly that supply of Money will be cut into, until any further impairment will drive those affected into civil tumult. Of course this may come more because of rise in prices than by fall of wages, but it amounts to the same thing. Burke says somewhere that a nation cannot be reasoned into slavery, and equally it is idle to blame " Communists " for Labour discontent. An agitation is only an occasion, never a cause: an army corps of agitators could not beguile the members of a wealthy West End Club into mob violence, for they have no reason for revolution. On the other hand, such members if miraculously transposed with the equivalent number of animalized wretches festering

Where the crowded homes breed incest
In the warrens of the poor,

would probably in twenty-four hours have smashed the place up—even if they were suitably admonished that it was the property of their oldest member. In spite, however, of the follies of their so-called leaders, the trades unionists have not yet formally accepted the view that, if their officials say there is no remedy for their economic distress, they must acquiesce in the diagnosis and die inchmeal to establish its accuracy. It is this amazing lack of constitutionalism on the part of the rank and file that, during the last few months, has unsealed in the defence of officialism fountains of eloquence that, twenty years ago,

would have played penetratingly upon the miseries of the poor and the knaveries of the rich.

As the pre-revolutionary ruling classes of France and Russia regarded and treated the masses as beasts, any complaint that the latter in the whirligig of fortune behaved as beasts, is merely an example of the mental weakness belonging to both types of extremists. In the underfed and degraded, the unbalanced type of mind that turns to Communism or Nihilism is manifestly the same as that which, among the more prosperous, looks under the bed every night for a Bolshevist. Equally, it can conceive of no stable form of Government except a variety of slave state, with its own freakish mélange of political and ecclesiastical sectarianism as the corrupt and indispensable ruling class, and a dogmatic philosophy of "shoot 'em down by gad" written in blood and punctuated by lead.

Once it is grasped that the general bread and butter needs of the vast majority of the population have all to be distributed by the general Goods Tickets, and that cheque currency expansion becomes a constantly increasing and prior claim upon the general Tickets, there are only four alternatives of release or modification:—

(1) The expansion and provision of new required general Goods-Tickets;

(2) The increased velocity of circulation of existing Ticket supply;

(3) The discovery of new processes, whereby, owing to the increased production, some appeasement of financial strain is given to the mass of people;

(4) The progressive weakening of the mental and moral fibre of the majority, allowing them partly to forego their claim on the national Ticket fund; hence the acceptance of a lower standard of living permanently, and not merely for temporary purposes as in war time.

If any one, two or three of these factors is functioning inadequately, the strain must come logically and inevitably upon the fourth, it being naturally augmented by the annual increase in the population. Up to 1914, the

constant supply of fresh goods tickets from the gold bought by the Bank of England, together with the assistance of the second and third factors, kept the machine of distribution going, though it was beginning to creak and protest too much. Now that the resources of alleviation are spuriously ruled out of the first, and are shrinking in the second and third, we must fall back upon the fourth solution, which thus comes upon us dread and menacing, admonishing us that as in War, the final thing in Peace is the moral factor. The most vital thing in Man is the will, and the more one endeavours to grasp this, the more one sees it emphasized in the efforts of a Cromwell or a Napoleon, for in Mr. Winston Churchill's phrase "the policy of chewing barbed wire in Flanders" can only be a resort and never a remedy, either in the gory combat of War or the modified carnage of Peace.

We are, therefore, convincingly embarked upon a progressive decline of national temper and morale, for though the first pangs of hunger inflame and excite the bellicose, a consistent course serves to tame and subdue them, thus disposing them to acquiesce in despotism lest a worse thing befall. Even "rebellions of the belly" require something more than "decayed tapsters and serving men," for the rank and file of successful revolt. While in the slums of Glasgow a definite decrease in the height and weight of children appears relentlessly, as we pass from families herded in three dens to those in two and even in one, where the last child is born sometimes as another is lying dead, we must recognize that the blasphemy is not with mathematics but with Man, for permitting his fellows to live and rot in conditions for which an M.F.H. would be lynched by his own hunt, if he so treated his hounds.* A few stages above this, we have the warning of Sir William Milligan, the famous surgeon (*Daily Mail*, March 25th, 1924), that the augmented strain of modern civilization is responsible for the rapidly increasing number of nervous cases, which are a factor, he suggests, in the formidable incidence of cancerous diseases. We do not forget the

* See Appendix 7.

pre-war suicides of mechanized Germany, while from the U.S.A. we have 13,000 suicides reported for 1923, though probably 16,000 would be nearer the mark. Significantly, the victims were two men to every woman. It is noticeable that physicians, lawyers, judges and people of social prominence are an extraordinary feature of the list, the prime cause being that of the pace of living, in the opinion of the "Save a Life League" of America. The same trend of view is met in the writings of Mr. Lothrop Stoddard, and also of the great psychologist Professor W. McDougall, in his two works, *The Group Mind* and *National Welfare and National Decay*. In short, the machinery of civilization is getting too difficult for its controllers. It is like putting a child behind the steering wheel of a powerful car. Disaster is inevitable, yet with time and education the man developed from the child can drive the same mechanism with masterly ease.

After some survey of the more general questions, we may turn to a consideration of one or two special points. Inevitably amongst occupations "sheltered" by the accident of insularity, or the achievement of monopoly, even when not based on inferiority, such as lawyers, doctors, brickmakers and miners, we have the perfectly good trades union, while, on the other hand, schoolmasters for example are admonished that they are "the moulders of the next generation," and that therefore they have their reward. Finding that the iron law of Goods Ticket restriction inevitably nullifies his increased efforts, the sensible artisan copies the august example of his employer and adopts "ca' canny," to the horror of industrialists and ecclesiastics, who apparently consider the national morale is in a perilous plight, when the many begin to copy the industrial methods of the successful.

As the key to most of our troubles is in Finance, let us here consider one main aspect of it in business to-day. It has been mooted by an accountant that auditors should reveal in their reports either when a loss has been sustained on the year's working, but camouflaged by tapping the reserves, or when undisclosed reserves have been created

constant supply of fresh goods tickets from the gold bought by the Bank of England, together with the assistance of the second and third factors, kept the machine of distribution going, though it was beginning to creak and protest too much. Now that the resources of alleviation are spuriously ruled out of the first, and are shrinking in the second and third, we must fall back upon the fourth solution, which thus comes upon us dread and menacing, admonishing us that as in War, the final thing in Peace is the moral factor. The most vital thing in Man is the will, and the more one endeavours to grasp this, the more one sees it emphasized in the efforts of a Cromwell or a Napoleon, for in Mr. Winston Churchill's phrase "the policy of chewing barbed wire in Flanders" can only be a resort and never a remedy, either in the gory combat of War or the modified carnage of Peace.

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* See Appendix 7.

pre-war suicides of mechanized Germany, while from the U.S.A. we have 13,000 suicides reported for 1923, though probably 16,000 would be nearer the mark. Significantly, the victims were two men to every woman. It is noticeable that physicians, lawyers, judges and people of social prominence are an extraordinary feature of the list, the prime cause being that of the pace of living, in the opinion of the "Save a Life League" of America. The same trend of view is met in the writings of Mr. Lothrop Stoddard, and also of the great psychologist Professor W. McDougall, in his two works, *The Group Mind* and *National Welfare and National Decay*. In short, the machinery of civilization is getting too difficult for its controllers. It is like putting a child behind the steering wheel of a powerful car. Disaster is inevitable, yet with time and education the man developed from the child can drive the same mechanism with masterly ease.

After some survey of the more general questions, we may turn to a consideration of one or two special points. Inevitably amongst occupations "sheltered" by the accident of insularity, or the achievement of monopoly, even when not based on inferiority, such as lawyers, doctors, brickmakers and miners, we have the perfectly good trades union, while, on the other hand, schoolmasters for example are admonished that they are "the moulders of the next generation," and that therefore they have their reward. Finding that the iron law of Goods Ticket restriction inevitably nullifies his increased efforts, the sensible artisan copies the august example of his employer and adopts "ca' canny," to the horror of industrialists and ecclesiastics, who apparently consider the national morale is in a perilous plight, when the many begin to copy the industrial methods of the successful.

As the key to most of our troubles is in Finance, let us here consider one main aspect of it in business to-day. It has been mooted by an accountant that auditors should reveal in their reports either when a loss has been sustained on the year's working, but camouflaged by tapping the reserves, or when undisclosed reserves have been created

(*Observer*, March 23rd). The discussion concludes with that exquisite felicity of phrasing, so characteristic of all our orthodox financial pundits, "the legal position is in doubt, and accountants have adopted the line of least resistance." In other words, the accounts having been faked are passed as correct. It would be interesting to know how much industrial capital has been thus arithmetically adjusted and concealed. For example, the capital of the Metropolitan Carriage, Wagon & Finance Company in 1917 was £1,500,000: by a bonus issue of 100 per cent. from the reserve it was made £3,000,000, and was then purchased for £11,760,000 by Vickers, who thus paid nearly seven times as much as the original capital (*Labour and Capital in Engineering Trades* Vol. I., p. 18). Similarly, in an expansion of capital from £1,632,718 in 1913 the B.S.A. had reached £8,721,798 in 1922. Of this no less than £2,147,896 was from the reserves, while £3,205,000 was from the banks. Bonus shares were issued in 1918 from a hidden reserve existing before the war, so that it was possible for the subsidiary companies to be making a profit while the main organization was undergoing a loss. To return to Vickers, that firm expanded its capital of £9,488,639 in 1913 to £30,916,800 in 1921. This means, of course, that a tremendously increased amount must be appropriated over 1913 requirements to pay a dividend, and when one notes that in 1920 the ordinary dividends were passed, though £991,639 was transferred to the Reserve, it is not difficult to conclude that these two measures were launched as part of a double policy against the conditions of the workers, by that most supreme of all strategies—the unconscious; for it would equally rouse the dividend-lover and yet strengthen the firm's resources. Similarly the General Electric Company has expanded its capital from £1,236,000 in 1923 to £10,041,767, £2,575,000 of this being required to replace a bankers' loan. For services rendered in this flotation the financiers took 6 per cent., while in 1920 for £2,000,000 Debentures for Armstrong-Whitworth's the expenses were nearly 10 per cent. But so far, for the policy of successful reserve

building, of all the great firms probably the Imperial Tobacco Company must be awarded the palm. In 1915 its ordinary capital was only £2,784,499, which in 1922 had risen to £29,951,697. Of this £27,000,000 increase, over £13,000,000 was in capital bonuses! Last year the company paid 20 per cent. dividend, involving nearly £6,000,000, and after bringing its reserves up to £5,000,000, carried forward £500,000 for next year. Discretion is always the better part of financial candour, for " the quality of nothing hath not such need to hide itself."

When we realise that like the I.T.C., Vickers are, of course, represented all over the world, while Armstrong-Whitworth's have subsidiaries in Italy, Canada and Japan, Babcock & Wilcox in Spain, France, Australia, Italy and Japan, General Electric Company in Belgium, Australia, South Africa, India, China and Argentine, while Marconi's are in France, America, Canada, Spain, Belgium, Australia, Argentine and Norway (*vide op. cit. supra*), it is overwhelmingly clear that we are moving steadily but relentlessly to a control of the world's industries by a relatively few people, who are as irresponsible as they are unfitted for their self-appointed mission of co-operative despotism, based always and ultimately on the mere general acceptance of the current fallacies of Money. Lest anyone, even after the recent offensives against the workers' wages, should doubt these suggested possibilities we quote from the Chairman's speech at Lever Bros. general meeting (*The Grocer*, April 19th, 1924): " If a strike occurred . . . . apart from the stocks . . . . throughout the U.K., we could deliver from our works in France, Belgium, Holland and Switzerland soap made there, long before our U.K. stocks could be exhausted, and we could deliver from . . . U.S.A. and Canada within a few weeks of our telegraphing instructions to manufacture for the U.K., ... followed by supplies from South Africa and Australia a few weeks later." We are familiar with the cry that the British workman " must meet the competition " of other nations, and once he is sufficiently bull-dosed and doped into this servile acquiescence, his own employers will be able to

turn to their inferior Dago labour and coffee-coloured coolies from China to Perù, and starve their own blood and breed into complete submission. In war, economic blockade is as vital a weapon as the navy or army. If in peace, we control these last two forces in the national interest, why permit ourselves to be blockaded, as we now are, for our supplies of wheat, sugar, oil, soap, cocoa, wool, rubber, cotton and other goods, instead of bringing these also under sound supervision?*

And yet amid all this, prominent industrialists are constantly blurting out statements that are in the flattest contradiction to their own commercial policies and postulates. "Most industries in this country just now need the doctor," said Sir Eric Geddes recently, while Sir Vincent Caillard of Vickers was reported, "We have forgotten the axiom and apparently we cannot relearn it without disaster coming upon us, that the home market is by far the largest and the best, if we could keep it."

To the constant and increasing strain upon the only supply of Goods Tickets to which he has access, the trades unionist has only one immediate and practical remedy—"ca' canny." At the other end, we have stock raisers in the Argentine slaughtering calves born overnight in order to maintain their prices, a more extreme case of the custom of leaving fresh fruit to rot on the trees to save expenses of plucking, while hundreds of poor people and children are suffering in health from the very want of their precious vitamines. Undoubtedly the middleman is too much with us, for getting and spending, he lays waste our powers rather than his own. And yet much of the clamour against him is raised merely by the large combines, who advertise "collaboration and co-operation in place of individual effort and petty peddling each for self," thus adding their customary cant to the usual jealousy, intrigue and inefficiency which are found in these large levercratic organizations. The most interesting example, however, of "ca' canny" is found in the rubber trade, which after its success in cutting down production to prevent the undue

* Appendix 8.

abatement of the price, is now pondering a policy involving a selling agency, with a price control committee. The City deplores, no doubt the duplication of unnecessary directors and agents, but, including the bankers, is quite prepared to furnish indulgent assistance to these more distinguished exponents of "ca' canny," for

> That in the captain's but a choleric word
> Which in the soldier is flat blasphemy.

We have seen how, logically, the trend must be away from the small profits and slow returns of such industries as agriculture, and the provision of houses, to developing easily won tropic wealth. Great Britain in 1914 was thus producing only ten weeks' supply of her required year's requirements, though more densely populated countries like Belgium and Japan are self-supporting. Under the war's stimulus, we jumped from ten to forty-two weeks' supply, and a 1,000 acres under favourable circumstances provided enough food for 1,800 people for a year. Since 1870 we have 5,000,000 fewer acres of arable land, and even on what is left, our wheat production averages four bushels less to the acre in England than in Scotland. But, says the objector, we get our food cheaper by using our coal superiority to enable us to import at an advantage. This brings us, however, to the outlook of the coal trade, which serious as it is to all of us, is hopeless under the present financial hypotheses. During 1923 the situation was favourable more by reason of the misfortunes of others than by the good management of ourselves, but Belgium, France and the Ruhr have already nearly reached or surpassed their 1913 figures of production. In his speech at the annual meeting of D. Davis & Sons, Ltd. (*Observer*, March 20th, 1924) Sir David R. Llewellyn, Bart. pointed out the menacing future competition from the U.S.A. With their wages questions settled for three years, more easily worked mines and other favourable factors, the Americans are able to put coal into wagons at "appreciably less than one-third the pithead cost of production in the South Wales coalfields." Prior to 1900, the U.S.A. exported less than 2,000,000 tons per annum to markets other than Canada,

while in 1920 the corresponding figure was 20,000,000. The American trade organ has already sounded the charge against our export markets, with the help of non-unionism and stabilized wage conditions, and Sir D. R. Llewellyn added that it "pays their collieries to work their mines fully and export a few days' output weekly at a ridiculously low price—well below the cost of production—rather than work intermittently at an increased cost: and both owners and workmen are co-operating in the adoption of this policy." The only solution offered, like that of the late Herr Stinnes in Germany, is a return to the Eight Hours Day which, inevitably, is simply a confession that, under the present system, there is no hope for the miner in this country, doomed as he is to a dangerous trade and an inadequate subsistence level. Whatever is the industry, it is progressively restricted of Tickets, and therefore internally within its own borders it must be constantly pressing the population on to a shorter ration of Tickets, while abroad it must seek for markets, striving inevitably to include within its orbit the maximum number of people whose Tickets it can absorb. Hence, the countryside (except as transferred into pleasure grounds for the oligarchs of finance) is drained by the towns, the provinces by the metropolis, the backward and undeveloped countries by the advanced and credit-powerful ones, while amongst these last the struggle must lie for supremacy—a struggle at first financial but finally military, when the pressure of poverty within the borders of any becomes less tolerable than the prospect of arbitrament by the sword.

Thus, given this overwhelming fact of a definite decrease in the general means of distribution, which cannot be either logically or practically balanced by improved velocity of circulation, firms are compelled to adjust their methods of business accordingly. Take the contrast for example between early 1920 and 1924: then it was a question of getting the best possible in quality: now the lowest price. There is a world of difference between the two things, for the former level of business demands a higher type generally—the creator, the inventor, the craftsman and the

producer, rather than the stunt-drummer, the sales manager, the combineer and the financier. Quite apart from any prejudice in favour of large firms, it is obviously easier for the banker to let out £100,000 to one big firm than £10,000 to ten smaller ones. But which is the better for the community—the one big or the fewer small? During the war with an adequate supply of Goods Tickets, some of the finest engineering work was done in aeroplanes, gun-sights, etc., by small organizations which sprang up or extended on new lines.

But when the Peace broke
Where were they?

With the restriction of credit and the advent of deflation in 1920, these small manufacturers, instead of developing into strong and valuable concerns, as they should have done, have either collapsed or been absorbed or remained weak and struggling. The net result is that the big firms are stronger than ever—momentarily, *for they have not yet realized that they in turn must do homage to the money monopolists.* No longer are the latter satisfied with industrial shares: they are preparing the financial trusts, whose bonds are steadier and more marketable, as they can transfer their interests from tyres to newspapers and from newspapers to engineering, from engineering to cotton, and from cotton to collieries; for Industry's extremity is Finance's opportunity.

We have seen, however, that faced with our present troubles our financiers have nothing to offer us. Indeed, as we write, it is being mooted that there should be another rise of the bank rate, followed by an inevitable deflation, and the consequent increased slump that necessarily follows the policy of dear money, as analysed by Mr. McKenna in 1921, and since then confirmed by actual facts. Have our industrialists anything to offer us to give us peace and respite from strikes? This brings us to a very interesting point. Just as there is no congruity between cause and effect, so there is from continuity of cause no necessary continuity of effect. For example, a sufficiently minute

dose of alcohol will have no result: from an increased dose, nothing equally may happen: the next stage, however, is some degree of comprehensive benevolence succeeded perhaps by pugnacity, then by coma and then by exhaustion or even death. Similarly a small quantity of opium may mean nothing: a large one, unconsciousness and death: while a tremendous amount might cause an immediate and emetic reaction, shortly giving normal balance. The result is, inevitably, that one is faced with an entirely fresh set of problems, to which there is no clue when the original situation was considered. This links up with the earlier point as to the future offered by industrialists, for it is one that will bear close examination. With the growth of these enormous combines, often in the lifetime of one directing brain, we get one man at the head who is there often as much by his virtues as well as his vices, but is at all events there primarily because he has been financially successful. But this puts him in the position of being able to enforce his ideas on leisure, social policy or ecclesiastical and political outlook on his subordinates, with consequences that are ultimately disastrous to the community. The increasing difficulty of even a subsistence tenure in modern industry gives few the chance of alternatives to these enormous concerns, so that just as we have had the mediæval feudalism based on the monopoly of land by a relatively few powerful individuals, forming the upper slopes of the social pyramid, while the mass were politically and economically dependent upon them, we are now threatened with a twentieth century economic feudalism, with a few controlling financial and economic power, while the many are "compelled to bow themselves for meat in the evil days." Just as the advent of the middle classes smashed feudalism and lifted the world from the degradation of caste and status to the freedom of a society based on contract, so conversely to-day we find the middle classes weakening into the mere superior technical underlings of finance. Doctors and schoolmasters tend to become public officials, while lawyers and accountants evolve into the upper servants of the wealthy or their commercial

corporations: while, under the Insurance Act, those of the population enmeshed are not free individuals but bondsmen who, whether by the atavism of hereditary serfdom or the absorption of modern Marxianism, are many of them clamouring for the gilded increase of their fetters. All this is, of course, the negation of Hellenism, in the denunciation of which our most conspicuous commercial vulgarians are logically justified, as in their open boast that they are founding a new aristocracy. Unfortunately for them, the place of aristocracy is always the acceptance of risk and the position of danger. The heads of the feudal pyramid led their hosts in the forefront of the hottest battle: those of the industrial pyramid to-day, rather in their sincerity flatter

> The Duke of Plaza Toro,
> Who led his army from the rear
> And found it less exciting.

They may even boast that they are "individualists," *i.e.* men of vision who succeeded in individualizing their profits and socializing their risks, even when all but the strongest minded between 1914 and 1918 were wantonly socializing their profits and individualizing their risks.

It seems a law of nature that, given a certain degree of wealth and luxury, certain strains must die out and that, as some degree of wealth is necessary for a high standard of civilization, unless there is a constant recruitment from the poorer sections of the community, so that society must go under to a more virile one. Hence the rise of the middle classes in Europe in general, and in England in particular, has biologically provided a medium for the interchange and transfer of types necessary in the evolution of different orders of society, and has politically furnished in our own constitutional government a mechanism that can be, and has been, equally administered as a dictatorship, a monarchy, an aristocracy or a democracy. It follows, therefore, we suggest, that an evolution, which threatens to abolish the ruling class of the 19th century British Empire, is one that will ultimately prove fatal to the Imperial Commonwealth itself.

In view of the shortage of Goods Tickets, and that this is the dominant fact in modern Industry, it would be unjust unduly to blame firms peacefully combining to permit the mutual interchange of their cheque currency, in order to economise on the limited supply of general currency, or endeavouring to shorten the distance between the first source of supply and the ultimate consumer. Hence, naturally, the present trend of one large firm holding, say, Asiatic estates and selling to the private individual viâ a retailer, may be superficially defended. Equally, too, when we find enormous London stores selling manufacturers' products cheaper to the private person than the retailer himself can purchase, that seems sufficient reason for the uninstructed journalist—particularly if he is the minion of a paper 100 per cent. above its pre-war price and drawing colossal revenues in advertising from these same stores—to denounce the excessive profits demanded by wholesaler and retailer. In point of fact, however, a manufacturer unable—through deficient purchasing power—to sell all his product to the trade in the ordinary way viâ wholesaler and retailer, often is compelled to clear his stocks to the big stores below cost of production. Thus these are selling at a cut price, only possible by reason of what their smaller competitors have already paid! Then these London stores making their profits, of course, very considerably out of other people's losses, unctuously inform the public in interviews that unless the British manufacturer reduces his prices they, in the interests of the consumer, will be compelled to buy abroad! Hence the old problem of using the cheaper labour of inferior civilizations to sap the strength of the higher. This is, without doubt, the real and obviously sound basis for the Protectionist argument, though we must explore it further. Obviously, we should have a self-supporting Empire and definitely cut out, as we can, the insidious peril of lower levels of civilization. Free Trade in commerce is not, however, sufficient: we want Free Trade in finance, and this the Cobden Fathers have failed to realise. As it is, a self-supporting Empire, under the present monetary stranglehold, would simply mean that our

chances of breaking through the fetters of Finance would be yet smaller. Just as a self-supporting Empire is, however, a temporary ideal under Douglasism but at the moment a ghastly peril, so equally the World League of Nations, our ultimate aim under Douglasism, is at present the manifest object of the satraps of the Dollar, and accordingly, coupled with our disarmament and their final control of Force, the most sinister threat to the remaining freedom of Man.

It was said of Napoleon's empire that, when the Frenchman shaved before his matutinal mirror, he complacently reflected that he was the fractional ruler of the greatest empire of History—forgetting he was also overwhelmingly but an insignificant atom as a single subject. Equally in the more parochial exposition of Protection, men forget that, though they are producers in one thing, they are consumers in thousands of other articles, so that, although modern industry may protect its helot on his wage, it leaves him on his prices at the mercy of every other firm. A walk through any modern town and even many villages will show that the individual retailer is fast disappearing, being ousted by enormous multiple concerns alike in the grocery, confectionery, tailoring, chemical, boot, and other trades. Equally, too, small firms of millers, brewers, printers, etc., tend to vanish and are not replaced, as the difficulty of "capital" is an overwhelming one. Thus in a small town, instead of so many independent individuals whether as private persons, professional men or traders, we have so many mere officials or managers who, on a more or less subsistence wage, cannot have the economic freedom or the political and moral backbone of their fathers. Of course, if all this super-organization meant that the world's work were accomplished in three hours a day instead of nine, it would be more than defensible, as liberating all, from energies devoted to the conditions of life, to life itself. But this is neither the aim nor result of the orientation of Finance which, instead, is gradually sapping our national strength and is therefore a blasphemous monument of inefficiency. Hence, though

there is no logical antithesis between mechanical progress and spiritual freedom, in practice there may be. As this is being written, the question of the World-Power of electricity and all other forces is under discussion, and it is inevitable that, at present, the extensive development of these powers will involve their control by the financier, so that what we might gain in some small measure of increased material comfort, will be more than over weighted by what we lose in economic liberty. This to the mediævalist is sufficient for the rejection of electrical and other progress, just as he has had to wring his hands, and if possible the reformer's neck, over previous developments of education and science in the past. This the Humanist cannot accept, for the essence of progress is the acceptance of risk, knowing that, even so, he may yet one day be betrayed to his ruin. For the Great Refusal is the touchstone of the mind of the Underman, just as the Superman, whether a Socrates, a Columbus, a Luther or a Nietzsche, is pledged always to an unending warfare, and though baffled and maligned keeps yet

> such music in his brain
> No din this side of death can quell,
> Glory exulting over pain
> And beauty garlanded in hell.

We have asserted that the money restriction has led in one direction to the general trustification of industry. At the same time, such are the developments of mechanism that during the last twenty years, we have been pushing them forward without realizing adequately what might be the result of this policy. Fortunes have been made, for example, in manufacturing textile and other machinery for export to Asiatic and other countries with cheap labour, so that now, instead of having to come here to the British artisan for their goods, these countries can do without us. If modern industry demands Robots for its production, then the mild Hindoo or the passive Chink is in every way superior to the crude British trades-unionist, unless the latter indeed adopts a similar high-brow Fabian dietary of

nuts and water, while relinquishing his low-pressure Fabian policy of cunctatory "ca' canny." The only sound industrial scheme, therefore, must be one which is built on the racially inherent and biologically progressive superiority of our imperial stock, so that the Briton, rightly only an inferior as a Robot, is revealed as a finer independent or ruling individual. Otherwise, the logical result can be only our final reduction to slavery, and that as summarized in a witty apologue by Mr. A. Brenton, the Editor of the *New Age* (June 26th, 1924): "There was a nigger once who got a mealie every morning for lighting a fire. He found a lens one day and fixed it so that the rising sun would light the twigs. Thereupon his master stopped paying him his mealie. But, ever after, the master had to sit up all night on the surplus mealies to prevent the nigger from stealing them or smashing the lens. The absence of fresh mealies starved the nigger. The presence of rotting mealies poisoned the master. They both died at sunrise on a day. And Phœbus kept on rising, kept on rising still!"

He who reads may run from the conclusion, but it is one that was hammered out of the collapse of chattel-slavery. A society of free men can always produce more, other things being equal, than the same number of men with one or more as gangers and the rest as slaves, and the final fact that slavery does not pay is one that, though a commonplace to the sociologist, has yet to be grasped by the Communist and the crank capitalist. The lesson of every great movement and crisis is that the level of ordinary human nature is far higher than is ever credited, except by the few founders of religions or a handful of military leaders. On the eve of the battle, Cæsar deliberately exaggerated even the overwhelming perils into which he often led his scanty forces, while it was known of Napoleon that he could stamp soldiers out of mud. Before the Great War, it was calculated that battalions could lose up to 40 per cent. of their effectives without sacrificing their "being," until crisis after crisis showed that, faced with undreamt of horrors, men could stand up to nearly twice that wastage.

Which came through the War with the greater prestige? The higher command or the rank and file? Even with the utmost tenderness of thrift, roughly 50 per cent. of the higher command in all armies had to be discarded, while the magnificent fighting and organizing abilities of the average man showed that the incompetence, even of our industrial higher command in peace, was also scarcely fit for uncensored correspondence. Taking general human nature in the higher nations of Western civilization, we must recognize that men have more in common than they have in difference, and therefore in building on the difference instead of on the similarity, and entrusting the fate and freedom of the many to the power and perquisite of the few, any such system must logically and inevitably prove a perilous failure, whether in religion, politics, or economics.

Nor will the present trouble be cured by sentimental appeals from pulpiteer and profiteer, that we must "all pull together as we did in the war," and "show a spirit of sacrifice." If a hundred men are cast on an island with only sufficient food for half of them, there is no likelihood of anything but a struggle for subsistence, for they will fight it out and in that process the survivors must be seared and degraded. But, raised above the beasts that perish and have no understanding, men in their thousands have died for an ideal, where they will refuse self-butchery merely for the material. Equally, too, a policy of the active export or passive emigration of our surplus helots is one that no sane Imperialist can for a moment countenance, though it is being subtly and carefully bruited through the country to-day. Just as, in parts of pre-war Canada, factories were compelled to exhibit enormous boards with twelve-inch letters "No English need apply," so inevitably the intensification of factors, which render all lower types of population as perilous to those immediately above them as they are profitable to high financially contracting parties, must compel the colonies to recognize that they must keep out cheap labour, no matter what its colour, if calculated to depress their standard of living.

> The gods are just, and of our pleasant vices
> Make instruments to plague us.

When the middle and wealthier classes fifty years ago permitted the school-leaving age at fourteen, just before the education of the adult as distinct from that of the child begins, did they foresee the result? That hundreds of clever boys grew up with little but the ideas and ideals of the gutter and a codified sharp practice, and when in time, as much by their failings as their virtues, they reached commercial power, the daily life of the country would have to pay the penalty? For one generation of elementary education is as responsible for the successful advertising ramp and degraded ideals of a combine, as for the Yellow Press. Just as the little retailer in a back street, with a shop open at all hours, tends by his ideas in practice to lower our standard of civilization, so does equally the great combineer, striving twelve hours a day to corner a greater share of a restricted purchasing power, instead of attacking the problem scientifically and finding the cause and remedy of its restriction. It is not sufficient to teach people to read: they must be taught to think, and those who deplore the evil results of "education," are merely themselves the apparent fruit of a defective "education," in failing to distinguish between an inadequate and an adequate provision of such a cultural necessity. Inasmuch as any society or body of men, no matter what its faults, inevitably falls into routine and system, by the inherent tendency to economy of effort, it follows that with currency restriction causing wage-slavery, there will naturally arise a philosophy of business which will attempt to justify this casual and self-developed system, and even to dignify it as something scientifically sound and inevitable in its evolution, even though its incompetence gazes at us from the eyes of every hungry wretch at the street corners.

In point of fact modern commerce increasingly tends to an aggregation of leverocracies, controlling each industry by its respective combine, in which only a few men at the top have any economic freedom. By means of monopoly and the financial faking of their reserves, working expenses,

interlocking liabilities and assets, these are able to increase their hold every year upon their helots and the exploited public.* In this, apart from Goods Ticket shortage, they rely on two factors. The first is that, as yet, we have the majority of our population taught to read but not to think and this, blended with the progressive degradation of modern advertising, gives them their grip on the consumer. With the first factor we cannot at the moment deal, but in view of the sinister development of modern publicity, it is desirable that the general reader should have some practical idea of its methods. Most of the defences of advertising are full of the most amazing ignorance of elementary business facts, so much so indeed, that the reader would be well advised to regard their writers as either dishonest or incompetent. One of the commonest arguments of the advertising tout is that advertising increases production and decreases selling cost and therefore price. This is, of course, a blatant *suggestio falsi*, if it implies that all or even part of the difference saved is passed on to the consumer by the wily and enlightened manufacturer. On the contrary, having gained a more or less monopolistic control of the harvest and "the gleaning of the grapes of Ephraim," he more probably hallows the reward thereof to an attempt to corner also "the vintage of Abiezer." For example, an importer or manufacturer manages to get some commodity on the market that can be sold equally by half a dozen merchants, each with his own brand and label. Then one of them, with more brains and less scruples starts advertising gift schemes for coupons, and finally almost crushes out his competitors, simply because the public will buy along the lines of their exploited ignorance. If then the article costs the seller, say, 20s. a case into this country, is he going to boggle at an extra shilling or two profit a case, when he fears no competitor? Obviously, within certain limits he can play with the market and naturally does so. Incidentally, this is the secret of the strength of many firms who thus, at the consumers' expense, are able to support

* Appendix 8.

enormous office organizations with welfare schemes and every parade of piety and profit, while at the same time being a byword in their own trade for the inferior level of their commercial policy. In general, it will be found that the advertised article is dearer than the unadvertised: the quality may or may not be superior. This brings us, of course, to one of the most amusing ramps as the result of publicity. For example, good custard powder can be bought loose at about 6d. a lb.: packeted and sold as a proprietary it costs about 1s. 6d. a lb.; similarly, any grocer could supply baking powder, oats or cocoa at only a fraction of the price of that charged by manufacturers squandering money on advertising, which also, of course, lures people into spending money on things, the taste for which is possibly half artificial or wholly unnecessary. Then, too, the cost is increased by making the goods more attractive in appearance and less bulky in amount. Instead of buying hard soap by the bar or flakes by the pound, thousands of careless and ignorant women are easily deluded into pretty and short weight packages, just as in peas, flour and dried fruits there is a stalwart attempt to palm off fractions of a pound in artistic packets, camouflaged behind a lot of smug sophistries and unscientific drivel about "pure food" and hygienic containers. "It's your money we want."

But, it may be urged, there is a superior quality often in the advertised commodity. This is, no doubt, possible but the only criterion is to test between commodities with the name concealed. Often, however, the advertised article might be slightly superior without, of course, the margin being equal to that of the price—the manufacturer being clever enough to exploit this, just as he knows that, with advertisement, his travellers can make excellent headway with what they know to be a slightly inferior article against the superior one of a competitor. Then, again, there is the case of half a dozen firms all buying and selling exactly the same imported article—the only difference being that the unadvertised brands are cheaper and sometimes better, as they have to rely rather on the contents, than on a

showy and misleading label. Once, however, a brand is "established" there is usually a slight margin of inferiority introduced, below which, however, the English manufacturer does not fall, for here our national genius for "there's reason in everything" reveals itself. Here we venture to borrow Mr. C. E. Montague's diagnosis of "the jobber, the profiteer, the shirker and placeman of Albion," as he points out that, "like her native cockroaches and bugs, whose moderate stature excites the admiration and envy of human dwellers among the corresponding fauna of the tropics, the caterpillars of her commonwealth preserve the golden mean: few indeed are flamboyants or megalomaniacs."

Apart from the financial aspect of this problem, it is in any case desirable that, in so vital a matter as the nation's food supply, and in view of the results of recent scientific research into vitamines, the origins of cancer, diabetes, and other diseases of civilisation, the retailer concerned should be compelled to reach a certain standard of scientific knowledge and intellectual position, in some way comparable to that of the doctor or the chemist. The express policy—no matter what the asserted aim—of the big manufacturers is to smash the retailer into a mere distributor of *their* advertised goods, while mercilessly cutting his profits. In this they are supported by sections of the press, which draw enormous revenues from their publicity and that of the London stores, while simultaneously denouncing the small man as a profiteer, though their own charges to the public are as high as they were during the war. If, however, every proprietor or manager of a food shop had to pass certain tests and had a laboratory knowledge of his trade, the public could fairly demand that he should be jailed for selling, say, inferior Chinese maize-fed bacon as English home-cured. At the same time a developed professional trades union would enable him to get a fair financial return, and also develop a higher commercial standard of policy and dealing. As it is, he is at present increasingly at the mercy of large multiple concerns and manufacturers, whose development can be

logically deduced from the early stage of credit restriction. Nor must even these be unduly blamed for this: many of them have adopted the policy of exploitation as much from muddleheadnedness as Machiavellianism. *Vita longa, pecunia brevis*—Life is long and money's short—for a man must live, in spite of Voltaire.

At the same time in all trades, whether engineering, food or leather, there is an increasing tendency to accept the present trend as final, and even to defend it as though it were a cultural ideal. One recent commercial visitor to the U.S.A. returned with a gospel of Fordism as "the highest form of modern industrial production, in which control is exercised by a single authority, intent upon service first rather than profit making as prime motive." There is no reason why the simple-minded should not delude themselves that their aim in industry is "service not self," though mercifully our national sense of humour may keep Babbit as an import rather than a home product. President Coolidge recently stated that it is because "America as a nation has held fast to the higher things of life, that great material prosperity has been added unto it." After this, our more sophisticated manufacturers holding forth to Y.M.C.A.s and other organizations of earnest uncommercial auditors on "Christianity in Commerce," or "The Salesmanship of the Sermon on the Mount," are no discredit to presidential oratory. Lest this seem an exaggeration, we quote an actual report of one pontificating profiteer from a daily journal. "With all the best firms across the Atlantic, and in all the great firms of this country, you will find that the greater the prominence of the firm, the closer they adhere to the Sermon on the Mount and the practice of the Golden Rule." Should any reader be sufficiently curious to identify this apostle of the obvious, let him sample any dozen retailers in the grocery and allied trades, and ask them all what firm in their opinion has done more than any other to degrade the standard of British business, has shown the least scruple in its perfectly legal method of progress, and would be the last concern they would dream of

connoting with the Golden Rule, and he will find without any leading question that they furnish only one answer. At all events, whether our great commercial *condottieri* unleash these sentiments with both tongues in both cheeks or not, they realize that, thanks to an uneducated public and the wiles of the publicity pimp, their end is not yet. As the enlightened producer put it to the hesitant cynic, "This twenty million bunch that we sell to every day . . . will always come again, their heads bloody but unbowed. Don't worry: that reliable field-marshal old General Hokum, leads an unbeatable army."*

No wonder after this the business man is admonished by his acknowledged betters that a triennial trip to America is one that will benefit him morally as well as financially, for it is the spiritual home of "the plain man," the presumptive product of high living and plain drinking, and the sure and certain hope of every religious crank, "gold-brick" merchant and patent-medicine prophet, from Dr. Nostrum to Mother Vestram. For, it must be remembered, it is only in the glorious fake of the Elixirs of Life that Modern Advertising really reaches its top-note, as shown by the British Medical Association in their interesting work on Secret Remedies, analysing 1s. to 10s. 6d. bottles of proprietary dope for every known and unknown human ailment, and compounded of ingredients that could be made and measured for anything round about a few coppers, yet supporting bald-headed or dyspeptic millionaires on fortunes made out of infallible hair-restorers or cures for indigestion. Hence, between the consumer and his pound of food or pint of poison—cocoa, dried fruit, tinned goods, soap, baking powder, custard powder, patent flour, putative medicine, etc.—there is a horde of parasitic non-producing bureaucrats, cardboard kings and publicity pimps, all adding nothing to the actual goods. These have all to be charged up—for the consumer, even if a woman, always pays.

Incidentally, while grave and reverend seniors deplore the modern craze for gambling and the spirit of "something

* *Merton of the Movies*, by Harry Leon Wilson.

for nothing," do they ever cast their eyes upon the enormous coupon schemes, free gifts and other fundamentally dishonest commercial methods adopted, often by recognized pillars of piety and profit, in their daily struggle for the bread that perisheth? The writer was recently informed by a grocer, that one of his customers was distressed and puzzled by her household's increased consumption of soap, until he assured her that the trouble was merely owing to her handmaidens' desire speedily to acquire their complete tortoise-shell toilet outfits, obtainable from her soap coupons. Similarly, it was stated, years ago one quite harmless meat extract got on to the market, because its present list was so attractive that cooks and other domestic underlings would sit up all night to convert it into consumptive purposes, in order to pile up belongings for the bottom drawer. Of course in an economic system based on the fallacious and perilous ideas of "money-making," and with the necessary control and restriction of distribution, there is some defence for these methods, though none for the mean and degraded philosophy of life and commerce that the modern combineer is apt to advocate. One large firm has even developed, in fact, a scheme for taking poor boys in their spare time and training them to tout for orders from door to door, under the pretext that they are receiving an education in "salesmanship"—though the idea was decisively turned down, we believe, by the heads of the Boy Scout movement and of the Toc H fellowship, as well as being objectionable to the trade it was alleged to benefit. The people responsible for it, however, also had the effrontery to publish the details in one of these low-brow commercial magazines which give, for example, a photograph of half a dozen solemn boobs sitting round a table, festooned with dictaphones and cuspidors, and head the subsequent article, "How Our Executive Gets Things Done." *Quod vidi, vidi.**

After this sort of thing, the device of refusing to extend the retailer's profit, while endowing him unasked with an insurance policy, based on the extent of his account with

* *What I have seen, I have seen.*

the firm, is only a logical development of trading on his money, as shown by not giving him a contract price for large quantities, except as a final rebate. Equally too, it has escaped notice that many large firms are violating the spirit of the Truck Acts systematically. Passed to prevent an employer paying his men in kind and thus making an extra profit out of them, they are equally infringed in reality by the wily profiteer who Wembles all his staff, or develops and builds a model village of tied houses, in which his factory-fodder are to him in the position of the poor labourer in his cottage to the squire or the farmer. As a free man in a free house, the man would have to receive a larger sum of money than that costing the manufacturer to house and thus control him. Wages tending, under Goods Ticket restriction, inevitably to fall to the subsistence and rebellious level, it is clear that, what the factory gains in rent, it deducts in wage.

Incidentally, one of the interesting arguments against Prohibition is that, if beer is included in the subsistence wage, then thereby the teetotaler is given some little extra marginal effort for saving and progress, just as the fact of free education and medical attendance being deducted from the artisans' real wages during the last forty years may possibly have crippled them in staying power in strike struggles for economic freedom. Prohibition, a comedy for the rich and a tragedy for the poor in the U.S.A., is definitely popular with the vested interests as being, they think, the surest prognostic for a busy and contented horde of industrial helots, the obedient basis of the modern servile state under Credit Control. On the other hand, by reason of climatic, racial and psychological divergences, Prohibition in this country might so inflame the British working man, that he might arise and challenge all our foundations of Church and State, so that beer and plenty of it the reactionary may regard as the surest solvent of industrial unrest. Where the truth lies in these considerations, thus briefly touched upon, would be a matter for further discussion, but the factors involved are such as to merit reflection.

It is clear, therefore, that there is always a general tendency towards stability, philosophical as well as practical, so that, given the unconscious growth of modern leverocracy, combining the faults of the inefficiency of bureaucracy with those of monopoly and exploitation, inevitably there will arise a theory and general acceptance that wage-slavery is quite natural and therefore sound and wholesome, for the uneducated mind regards the survival of the fittest as the survival of the best. Towards this the press and the subtle force of modern publicity are turned and prostituted. As there is now too restricted a number of the leisured and wealthy to support the artist, he is compelled to produce instead posters for commercial advertising, thus enabling often relatively "good art" to palm commercially inferior or medicinally undesirable commodities upon the unsuspecting public. Compared with this, a newspaper column on the busy life of the head of a firm, or an account of its free Wemble for employees (with special "pocket-money" for the day)—all on the eve of a public appeal for more capital—is comparative naïveté. The advertising expert, however, shrinks at nothing. Recently in high conclave, he was discussing the question of applying his megaphone to religious and "church life." There seems no reason to doubt that, in a few years time, he may be launching a tremendous appeal with the slogans of "Breed more children" or "Keep your cradles empty!": for he will not hesitate at vulgarity merely because it is blasphemous. Incidentally the manufacture of "slogans" is considered one of the most important functions of all good advertisers, though the number of firms relying on something merely truthful, wise and witty is undesirably small, and we are left with the conclusion that though clearly it has been and can be used fairly and usefully, advertising has no help to offer in our present distress, to which indeed it is a considerable contributor as intensifying the present tendency, and supporting it by propaganda.

Accordingly, at a time when the Great Republic of the West is beginning to realize that its commercial ideals

leave much to be desired, it is curious that a tremendous and deliberate attempt is being made to foist these unworthy standards on our own business life. Thoroughly well-meaning, but hopelessly unsophisticated, as are some of the prophets of publicity, they yet manage to " put it over " even the elect, for one has seen even the most austere and august of our weeklies succumb to publishing an indirect commendation of a firm, whose methods if known it would be among the first to denounce. The amusing slogan " Truth in advertising " is a typical example, for a firm selling sixpennyworth of dope and two pennyworth of cardboard for a shilling will not forthrightly lie in its publicity. It will, however, draw horrifying pictures of children infected or poisoned, as the result of not having had an external or internal application of its particular nostrum, so that when the anxious mother goes to the shop and is offered by the intelligent retailer something five per cent. better and twenty per cent. cheaper, at once her finest human instincts react unconsciously to the insidious deceit of the publicity pimp—who makes a deliberate study of all these things—and she almost inevitably plays for safety into the pocket of the profiteer. Or, we may take, for example, some quite harmless " fizzy drink " which can be made for a few coppers. Setting to work with a dictionary of classical quotations, and beginning with a few choice descriptions of tropical scenery, the advertiser gets on to the Gulf Stream, from which it is an easy transition to the blood stream and the " Duty of Good Health." Or he may lead off with a stunt on the Outposts of Empire, representing strong, silent men taking their morning bottle of Beanos before going out to build a bridge or suppress a rebellion before breakfast. Read by some pen pushing and dyspeptic underling, while waiting to hear what happened in " the two-thirty," or overfed profiteer who has done himself too well at lunch, and then spent an hour denouncing the moral slackness and narrow outlook of the trades unions, such an advertisement comes like a breath of imperial ozone, and sooner or later he will " fall for it." No wonder some reincarnated Pecksniff has sloganed

"Ter-rewth in Advertising." Let us hope he got his well earned hundred guinea professional fee for the finest fake, if not the largest lie of the last few months.

All the while, however, this question of advertising is being studied by keen financiers, for if they can seduce the people into a mediæval superstition that the printed word is infallible, they have a further weapon in their aim of world-power. To the careful observer it has been apparent for some time that finance was experimenting with publicity, so that the recent announcement that the relations of the two questions would be discussed at the Advertising Rodeo was in no way a surprise. "And thus from hour to hour, we ripe and ripe: and then from hour to hour we rot and rot."

Though "efficiency" is often urged by some publicists, they betray few traces of it in their own thinking, being naïvely interested, as it were, merely in the revolution of the wheels of industry, and not in the product or direction of its output, and still less in its service to and reaction upon Man and his sole object upon earth. Given the few real survivors with full economic independence, the controllers and yet the slaves of these large modern industries, we find that, however well-intentioned, they are inevitably unable to see to it that their firms are conducted on lines of efficiency and fair-dealing, so that affairs drift largely into the hands of a body of managers, in which three or four able men have to carry with them twice as many duds, half of whom are doing their best to "knife" their intellectual superiors. Protected by the difficulties of capital and the support of publicity, these firms have little to fear from small concerns which inevitably spring up—as during the war and the post-war boom—and almost as inevitably fade away. Increasingly the levercratic organizations have to rely almost exclusively upon those caught and brought up young with them, and thus early accustomed to a lower level of morality and independence than that expected of the modern boy in secondary education, and in such magnificent character-schools as the Boy Scouts. What applies indoors, follows even more

outside as many firms rise in size and sink in ideals, so that the constant changes in selling staff are both a drain on efficiency and a ruthless index of either internal incompetence or knavery, or both.

At the same time, even with the introduction of what are very significantly known as " American methods " into modern business, and the consequent lowering of its tone, there are dozens and hundreds of firms conducting their affairs on more English lines, that are as much the result of conscious deliberation as hereditary transmission. It is not yet necessary to conclude that we have yet descended to a standard of commercial and political life comparable to that of the U.S.A., as revealed in the current transatlantic press, and also in the report of the Tea-Pot Dome Oil and other scandals, by the *Observer's* special correspondent (*Observer*, June 15th, 1924). But the trend of Finance and Industry is a menacing one, whether in result or in outlook. Of the individual's position as a producer and as a consumer in the modern state, we have endeavoured to suggest the tendency, while in his status as a citizen he is rapidly drifting into a bondsman, with an increasing portion of his income annually mortgaged to the State or a foreign debt-holder. " History repeats itself," we are told, and as we read of the futile remedies for our " unemployment " —itself a fallacy even in diagnosis—all of which involve either inflation or fresh burdens by reason of the increased usury of interest for loans, we recognize that we are drifting into a complex like that which brought Athens in 594 B.C. to economic collapse, from which she was rescued by Solon's " Seisachtheia " and currency reforms, involving the remission of debt and an adjustment of the money standard. Though the Athenians did not refrain from enslaving men of the other Hellenic communities, they never again in classical times allowed even the fallacious logic of false currency systems to degrade their fellow citizens into slavery, and this transcendent boast they owed to Solon. The other Greek states—Megara, Corinth and Sparta—were faced with similar problems, though not one of them met them as successfully as did the citizens

of "Athens the violet crowned" and the first of the two great currency reformers of History. In the Roman Empire, however, we have an evolution more akin and familiar to our own. Originally of hardy agricultural stocks —though military rather than seafaring like ourselves— their composite racial genius touched nothing that it did not conquer in imperial rivalry. With the rise of empire, naturally, first the primary production of food in Italy, and then the secondary production of manufactures, slowed up until Rome reached the threatened fate of modern London, a world city where the satraps of the earth meet to share the booty of the globe, caring little for the thousands of struggling helots around them—divorced from the healing spirit of the soil and the ennobling breath of the wind on the heath. With the power of the Few over the Many, the ignorance of the former could not prevent their unconscious direction of money control to maintain themselves and depress their social inferiors—a policy which is always and finally a nation's biological suicide. In his *Evolution of States* (p. 923), however, the Rt. Hon. J. M. Robertson is inclined to reject the currency factor as the cause of collapse, and certainly in the late Roman Empire it would seem fairer to argue that the human material could no longer support the mechanism of civilization, either in military strength or moral energy. At the same time economic error leads to racial and moral degeneracy, however, and the drift towards the servitude of usury in early Rome as an agricultural state was inevitably due to a faulty currency system, so that, in Mr. Robertson's own words, as the alternative to this, "military expansion was thus an economic need." Consequently after Rome took up the task of Empire, we meet almost every symptom of what we read superficially as our own imperial strength and greatness—and realize later as the presage of disaster and the omen of decay.

For ourselves, within the next few years, or even months, the problem is one that combines the difficulties both of Athens of the age of Solon and of Rome before her fall. If by the pitiful and general acceptance of a servile life,

and a meaner living, we evade an immediate economic collapse, these of themselves will not inherently and permanently postpone the clash of conflict that we must face with other peoples, who will fight for the survivors' share of restricted purchasing power. As we listen to the mutter of racial animosities from the Pacific shores or of national jealousies across the Rhine, where the toiling millions of Europe are doomed to " weave the warp and weave the woof " of the winding-sheet of their own serfdom for all their days, we see once again the beginning of strife, with the impending arbitrament by blood and the red devilry of War.

On the idle hill of summer
Sleepy with the flow of streams,
Far I hear the steady drummer
Drumming like a noise in dreams.

Far and near and low and louder
On the roads of earth go by,
Dear to friends and food for powder,
Soldiers marching, all to die.

East and west on fields forgotten
Bleach the bones of comrades slain,
Lovely lads and dead and rotten:
None that go return again.

CHAPTER V.

THE DOUGLAS PRICE FACTOR.

The spark refused to fall, the divine accident would not happen. How could it, you ask with some reason? Had not trench warfare reached an impasse? Yes: there is always an impasse before genius shows a way through. Music on keyboards had reached an impasse, before a person of genius thought of using his thumb as well as his fingers. Well, that was an obvious dodge you may say, but in Flanders what way through could there have been? The dodge found by genius is always an obvious dodge, afterwards. Till it is found, it can as little be stated by us common people as can the words of the poems that Keats might have written, if he had lived longer

C. E. MONTAGUE. *Disenchantment.*

The impasse of to-day is one that no thinking man can deny, and equally it is one for which there is offered no remedy except Douglasism, for a careful perusal of current financial orthodoxy will discover discussion which is tainted with the tentativeness of hesitation, and of only modified hopes that " the course of events " or " the swing of the commercial pendulum " will give us back peace and contentment. And yet the more one attempts to study conventional financial theories, the closer they seem daily to draw nearer to the principles of Douglas, while yet holding ideas whose mere statement should be sufficient to show their logical fallacy. But, says one, our policy for the last hundred years had made us the financial centre of the world, and when we have returned to our pre-war gold standard, then we shall naturally and inevitably regain our lost primacy. Let us cast this argument, however, into medical terms and see what it is worth. It amounts to a suggestion that the diet, regimen and exercise for a man of twenty are therefore eminently desirable for one of fifty, and a denial of a factor that, trifling and invisible in youth, may be apparent thirty years later. And so to compare a hundred years ago, when we

had an unquestioned lead in manufactures of all kinds, and competition in export markets only in so far as our leavings were other countries' takings, and all this, too, with an expanding Goods Ticket system of Note Issue—such a comparison with to-day is as far from, and as close to, a parallel between a man of the ages respectively of twenty and fifty. There can however be no conflict of the principles of health and medicine: the contradiction lies only in the different types of ignorance concerning them. And so with Currency, whose forces and applications are at present so little understood. Once we have realized its permanent and fundamental principles, we are in a position to construct a Money System that can function for any state, and would yet be no more exactly similar to that for another than would be the prescriptions for two individuals, each suffering from bronchitis or rheumatoid arthritis.

We are now, however, at last in a position to approach the key to our problem. It is admitted that the aim of the economic system is to produce Goods, and that the means of distribution is Goods Tickets or Money. Let us portray this diagrammatically, with the line A B representing Goods and P Q Goods Tickets.

Goods A ———————— B

Tickets P ———————— Q

FIG. 1.

Let us assume that P Q is of adequate length for A B or, in other words, that the proportion between the two lines is adequate, *i.e.*, there are as many Tickets provided as are necessary, no more and no less.

Inflation.

Now what does this amount to? It is equivalent to lengthening P Q without extending A B, or also to lengthening P Q disproportionately to extending A B—

Goods A ————————|———— C
B

Tickets P ————————|———— R
Q

FIG. 2.

In other words if P Q be extended to R, Q R is inflation,

even though A B be increased to A C; because the increase from P Q to P R is disproportionate to the increase from A B to A C.

Deflation.

Conversely, if P Q be shortened to P S, while leaving A B alone, there is deflation: there is equally deflation if, P Q being shortened to P S, A B is only shortened to A D as below—

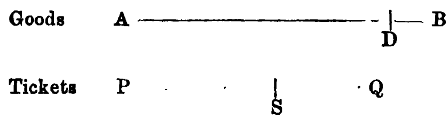

FIG. 3.

But, it will be asked, what about "the increased velocity of circulation, *i.e.*, a shrinkage in P Q?" That is, of course, a fair query: clearly, however, the answer is that it is only a minor shrinkage, and does not affect the principles or the logic of the situation under discussion. An adjustment of the ratio of A B to P Q may be permitted, but not its destruction: in practice, the dividing line between adjustment and destruction is obviously neither stable nor exact.

Douglasized Expansion.

Avoiding the mistake of Inflation, and the error of Deflation, what is the required middle term? It is clearly an expansion of Goods and Tickets simultaneously, and may be represented thus:—

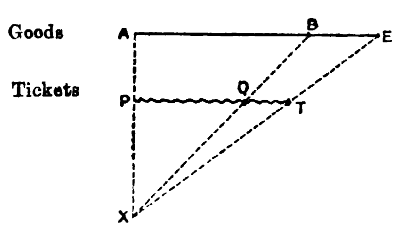

FIG. 4.

Produce AB to E.

Joining A P and producing to X, B Q and producing to X, we then join E X and thus meet the line P Q T at T.

Though we first produce A B to E, *we do not know where the point T should be*, and only arrive at it by its being the point of intersection between E X and the line P Q, produced up to that point of intersection.

Which things are an allegory: for, given the original proportion of P Q Tickets to A B Goods, when the Goods are increased to A E, it is very simple to discover what length P T should be, in order not to upset the original ratio of P Q to A B or, in other words, the scale of prices.

Looking at Fig. 4 again, however, in order that a geometrical truth should not be translated into an economic fallacy, we must remember that there may quite reasonably be changes in the Price Level: in other words, that, though (Fig. 5) A P Q B may be one shape, A P U G may be quite different—

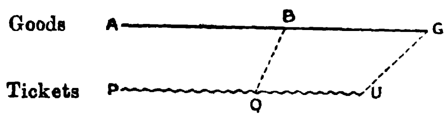

FIG. 5.

and with complete propriety.

Stabilization.

Hence it will be readily seen that the advocates of stabilized price levels have got hold of a perfectly sound idea—in so far as they want to avoid Inflation and Deflation. But in the attempt to maintain the ratio of P Q to A B, in practice they pay little attention to and show no appreciation of extending A B to G: presumably for the reason that, in producing A B to G, they do not know how to get the vital point U in the line P U. In other words, the ideal economic system demands *increased Production or Goods for all at Prices that are stabilized*, not with absolute rigidity, but with an equitable adjustment that can be obtained under Douglasism. Stabilization, in short, is not enough: we are all crying out for more goods, and we must have Goods to keep the peace as we produced goods to win the war.

Bankers' Tickets Expansion.

Similarly, in his Midland Bank Speech of January, 1924, the Rt. Hon. R. McKenna uses the phrase "expansion of credit" as a description of the desired middle term, which, avoiding Inflation and Deflation, is yet "indispensable to the proper functioning of our commercial system." There are two points however, where his exposition lays itself open very seriously to attack. "When national output is below production capacity, the policy should be to let money out: when production is at a maximum, the outflow of money should be checked and if inflationary symptoms have appeared, money should be withdrawn." Firstly, have Tickets (Money) been let out in the past in such a way that there can be no inflation? Or can they be let out in such a way that inflation is impossible? On neither of these points can Mr. McKenna furnish us with a satisfactory answer, for during the war we had many of the horrors of inflation for the middle classes, though the artisan population had a boom "*sans peur et sans reproche*." Secondly, does Mr. McKenna assert that he or anybody else knows "when production is at a maximum"? Or in other words, that he or anybody else can or will know when Science has reached the confines of her fate, and can no further adventure to "divide Shechem and mete out the valley of Succoth?" The proposition is patently fallacious—but that under the present system the Bank of England, in conjunction with a docile Treasury and Chancellor of the Exchequer, does decide how far our production system shall go, is no fallacy but a sordid fact, to which even the sleepiest are gradually awakening.

Naturally, in this expansion of Tickets and their issue by the Bank of England, the Money may be—

(*a*) Gold—as before the war;

(*b*) Notes—based only theoretically on the gold standard;

(*c*) Loans or bank-credits, through other Banks.

But, as shown in Chapter II., the loans or bank-credits functioning through Bankers' Goods Tickets or Cheques,

are not proper Goods Tickets at all. They are merely imperfect ones, and represent control over the proper Goods Tickets. Hence, the more numerous they become, the shorter becomes the supply of money in the hands and pockets of the general public.

Accordingly, it would be *logically* possible gradually and steadily to diminish our proper Goods Tickets, until there were actually none left, and we were in the exact position of having suddenly lost every Goods Ticket in the community: thus, a complete fiasco and impending anarchy, that yet could be repaired in twenty-four hours, as shown in Chapter II.

Before the war, we realize, the situation was masked by the Bank also issuing proper Goods Tickets of gold: during the war the machinery of Production would have broken down but for the State's own proper Goods Tickets (Treasury Notes). Mr. McKenna's own suggestion for these days in the speech cited is, that "in the working of our credit system it would *simplify* matters, if the right of note issue in England were again placed exclusively in the hands of the Bank of England, and for my part I would gladly see this done." "Simplify" is, of course, a highly critical term: even the spider's absorption of a fly in a bank-parlour could be defended as a policy of simplification. At the same time, too, the Bank failed miserably during the war to prevent the increased Goods Tickets issued by the Government from becoming inflation, just as its restriction of credit in 1920 became deflation, instead of a mere pruning of unnecessary Tickets. Against such policy Mr. McKenna's famous speech in 1921 was the only weighty protest raised in orthodox financial circles, but it passed almost entirely unheeded by the business community, who should have treated it as an opening for a demand for a Royal Commission on Currency. With the miseries of Germany as the result of inflation, we are nearly as familiar as with our own sufferings through deflation. So little, however, is either phenomenon understood that Mr. F. W. Hirst recently stated, according to the *Observer* (February 17th, 1924): "The issue of

paper money and the depreciation of paper currency is as wicked as the debasement of a gold or silver standard. Had the law which applied to forgers been applicable to chancellors of the Exchequer during the past ten years, the position of investors would have been very much better just now.'' We may parallel this with Prof. Cannan's combustory exhortation (*vide*, p. 49), recognizing that statements like these are in flat contradiction to the very elements of sound currency thinking: as Mr. Hartley Withers however admits, but unfortunately neglects to develop, the only sound basis of currency is goods, while any evasion of this only redounds to our own despite.

The Douglas Price Factor.

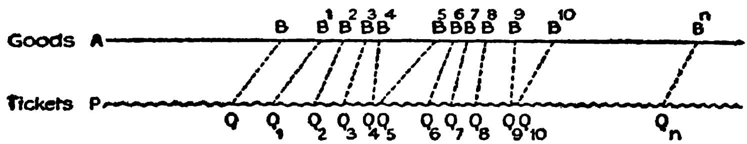

FIG. 6.

Eliminating, therefore, the false and unsuccessful systems of inflation, deflation and stabilization, we recognize that what is wanted is *stabilization plus progress, i.e., with the creation and marketing of fresh goods, the simultaneous creation of the necessary fresh Goods Tickets, i.e., distributing, purchasing power or money.* One point must be emphasized: an integral part of the policy is that the goods must be sold to or, in other words actually be accepted by, the consumer who wants them. There is to be no mere piling up of new inflationary money, simply because some wily manufacturer has filled his warehouse with products not really desired by the public. Accordingly, therefore, our Production and Currency chart should appear as in Fig. 6: a constant and balanced progress, with constant minor changes in Price Level.

The method employed I would gladly explain,
While I have it so clear in my head,
If I had but the time and you had but the brain—
But much remains yet to be said.

Three or four actual examples worked out, however, will give us the clearest idea, as they will enable us to confirm from experience that there is nothing difficult in the Douglas technique or demanding any complicated machinery.

Let us take then first the question of coal, whose price as paid by the householder is, say, 55s. a ton. Keeping that price firmly in mind, we hark back to the first source of the coal, i.e., the colliery, taking it that *the pithead price is, say, 35s. a ton.* Now there are two aspects to this question, and unless we keep them entirely apart when necessary, and yet are able to blend when required, no progress can be made. In other words for the theory of it we must analyse and differentiate, but for the practice we must synthesize and combine. These two views are, of course, first the actual Goods or the Real Credit aspect of the problem, and secondly the Goods Ticket (Money) or the Financial Credit side of the question.

Goods Aspect.

How is this ton of coal produced? It is obtained by hard human labour, mental and physical, as well as by the help of machinery, which in its turn has demanded brain and sinew for its construction and oversight. Now in producing this ton of coal, food furnished to directors, managers, clerks and miners is destroyed: also so much clothing is worn out, and oil, gas and power are expended. At the same time there are claims upon the services of doctors, engineers, and in short upon the whole community, even though the degree for each member of it may be infinitesimal: for the wives and children of all concerned, during the production of the coal, have also drawn upon the goods store of the community..

In other words, that is, the ton of coal is not a sheer *net* gain of one ton of coal to the community: probably it is not more than a net gain of 3 cwts., and it might not be more than one. Put into more technical language, this ton of coal has necessitated so much *consumption*: though its accomplishment is *Production.*

Whatever therefore is produced in the world is not mere net gain: the consumption of various commodities leads to the production of others: the "destruction" of wood, iron, cotton, becomes the "construction" of furniture, machinery and clothing, and the magic unearned increment of Nature and Society adding two and two together give not four but ten, twenty or thirtyfold. Hence in the Goods aspect of this ton of coal—

(1) It is not a net gain of one Ton;

(2) The net gain is something variable for each commodity, ranging from conceivably no gain on some things to very considerable gain on others;

(3) This gain is as much a law of nature as gravitation: otherwise we should not have built Western civilization: equally, however, like gravitation, its effects may be so masked and concealed that it is possible upon occasion to deny its existence.

Goods Ticket (Money) Aspect.

Having considered the Real side of the ton of Coal, let us consider the Financial. Again, how has the ton of coal been produced? The hard human labour of the directors, miners, etc., and the oil, gas, power, rates and other services have all been mobilized and distributed, *i.e.*, arranged and satisfied by Goods Tickets or Money. With this, the services of doctors—whether as salaried consultants or insurance officials—teachers for the children of all concerned, military protection (through rates and taxes) are all provided for. Thus in the final *cost* of the ton of coal, *i.e.*, the 55s., it could be so minutely analysed as to show the chemist's bill for a first-aid outfit at the pit-head—or even where the manager wangled his last week-end into the office expenses, as well as the drink with which he finally soothed the accountant. With the wages bill, royalty charges, bank charges and interest payments, etc., all go into the 55s. financial cost of the ton of coal, which is what the consumer now pays. For it is he

who pays the piper, and has to dance to a tune he has so far not been properly allowed either to harmonize or reject. (Incidentally, for the sake of brevity, we have omitted any detailed consideration of the 20s. between the pithead and the householder. Taking the figure as purely hypothetical, and as not affecting the argument, we see it clearly represents the charges of the colliery agents, transport costs and commission to coal wholesalers and retailers with their profits and expenses. This being their financial aspect, the reader will be able to construct their consumption and services in their own personal requirements, and the physical depreciation of rolling stock, premises, etc.)

Price Factor.

Now, combining the last two paragraphs and carefully checking the reasoning, what do we find? At the end of the production process, we have a *net gain of fresh goods*, and in a certain proportion: *it follows, therefore, that an equivalent amount of fresh Goods Tickets should be produced*: for the currency assumed previously to be sufficient cannot possibly be adequate to carry a further strain of distribution—unless, indeed its velocity is capable of infinite and indefinite continued acceleration, which is absurd. But, on inspection of the present financial process as just described, do we find any increase of Money due to the community as the financial reflection of the production increase, from the unearned increment of association? There is none, and the community is left with only the previous equipment of Tickets to distribute the extra supply of Goods.

Now assuming for the sake of argument, and as a working hypothesis, that the *Net Increase* is 2 cwts. in 1 ton or 10 per cent. in goods,* Major Douglas points out that clearly there should be a corresponding adjustment in the Goods Tickets. Hence one-tenth or 10 per cent. of 55s. of Goods Tickets for each ton are printed accordingly,

* *Vide*, p. 127.

so that with the expansion of goods there has been an exact expansion of currency, giving us the *Creation* side of the problem.

But there remains the *Issue* and other aspects of the safeguards, by which Major Douglas carefully heads off inflationist, deflationist and the other currency cranks. The colliery sells its coal at the pithead (*i.e.*, ex pithead) normally at 35s. per ton: here instead of charging 35s. to its agents, by rigid *Price Control*, it is only allowed to charge 35s. less 10 per cent. of 55s. In other words, the pithead price now becomes 30s. per ton, and passes through to the final consumer who thus pays 50s. a ton. This means, of course, that for every ton the colliery turns out, it is down 5s. on what it requires to meet its accounts. But, as it pays in its receipts to its bank, thus proving the actual getting, delivery and purchase of its coal by the consumer—*the only true function of a coal system*—the deficiency is made up by the fresh Goods Tickets being placed to its account. In other words, on receiving payment of, say, £15,000 (10,000 tons at 30s. a ton) from an agent, the colliery really wants £17,500 (10,000 tons at 35s. a ton) to meet its accounts and is thus £2,500 short. But on the colliery paying that cheque into its bank, the bank has ready *New Treasury Notes* to the extent of £2,500 (10,000 tons at 5s. a ton). These added to the £15,000 paid in by the colliery as received from the agent, make the required total of £17,500, and thus square its account.

The Book-keeping of the transaction is, of course, quite simple. Quadruplicate invoices, with one of them sent in with any cheque clearing it from an agent, would constitute full proof that the goods had been sold. As the cheques were paid into the bank from week to week, whether for 100 or 20,000 ton lots, the colliery's account would be automatically marked up accordingly.

Before passing on to anticipate and answer certain criticisms, let us note *first* that this exquisite and amazing simplicity meets the exact requirements of all sound currency expansion. If, by the discovery of some new method, the productive Net Increment jumped from 10 per

cent. to 30 per cent., then that part of the national Goods Tickets in the industry concerned would be adjusted and developed accordingly. The consumers' price of coal would accordingly drop from 50s. per ton to about 42s. per ton. If, however, people ceased to want certain lines, and the manufacture gradually diminished, it would be inevitably reflected in the retarded Money creation. Now one sees clearly two things: under the present archaic and tottering system, apart from pre-war issue of gold of the Bank of England—now no longer operative—the currency expansion has been by Bankers' Goods Tickets or cheques which simply limit and control the General Tickets. The active and powerful individuals and groups managing our industrial machine have naturally wished to develop it. In doing that and making more goods, this with the increased population demanded fresh supplies of General Tickets, but they have not had them issued in due proportion. Hence, these General Tickets have necessarily circulated best among those who could get always fresh *titles* to them by new bank deposits, while the mass of the population have literally had no Money or Goods Tickets to get their full wants and goods supplied. This has been pushed as far as they would tolerate it without rebellion, so that though the only claim for Tickets has been as a toiler in the machine, not as an heir of the British Commonwealth, yet in spite of this, the falsity of the mere "employment" tenure of subsistence has been shown by the issue of doles, to maintain the avoidance of revolt, with the minimum of expenditure.

Secondly, the Douglas Price Factor is clearly that desideratum laid down by the Right Hon. R. McKenna in his January, 1924, speech. The absence of this factor in the past explains, of course, our old friend, "the trade cycle." Of two competing hypotheses, the one that is fully correct will not exclude but will contain and reveal what is sound in the rejected theory. For example, we may take it now as indisputable that the "trade cycles" were caused simply by Goods expanding gradually and, by a psychological acceleration in the minds of producers,

who then pushed on too fast, quickly overtaking the rate that the then output of Gold Tickets and immediate expansion of deposits could support. Consequently, in spite of protests from producers and even from their bankers, the Bank of England had to step in, and by means of the Bank Rate and other measures, restrict Credit through the other Banks. These would begin first with the dominant financial and industrial concerns, until the general credit curtailment and reversal reached every corner of the commercial community, and the slump was fully come.

> "It seems a shame," the Banker said,
> "To play them such a trick,
> After we've brought them out so far,
> And made them trot so quick!"
> The Bank of England but replied:
> "The credit's spread too thick!"
>
> "I weep for you," the Banker said,
> "I deeply sympathize!"
> With sobs and tears he called upon
> Those of the largest size,
> Holding their swollen overdrafts
> Before his streaming eyes.
>
> "Well, Traders," said the Economist
> "You've had a pleasant run!
> Shall we be trotting home again?"
> But answer came there none—
> And this was scarcely odd, because
> They'd vanished, every one.

So far in his public utterances, Mr. R. McKenna seems much as Bagehot, fifty years ago, to be decided that the Bank of England is to be left in charge of our present monetary system, though he would give them also control of all note issue. He definitely, however, lays it down that the mediation between slump and boom should be executed by the Bank's alternate release and restriction of currency and credit. Its pre-war working in practice and its want of scientific accuracy in theory, however, reveal

a method of adjustment, compared with the Douglas technique, as clumsy and costly as the Chinaman's burning down his house to roast his pig, instead of cooking it on the domestic stove.

Having disposed of these two points let us return to our Price Factor, and establish three or four vital points before attempting to meet criticisms.

Public and Price Factor. It is clear that, as far as the public is concerned, there is nothing to cause any difficulty of working. There will be no need for every grocer's assistant or the consumer to have to employ Old Moore and Napier's Tables to find the longitude and latitude, and the prevailing price in the Tide Tables. As far as the customer, retailer or wholesaler are concerned, they will simply have a fixed price with a fixed profit and will be guaranteed against undercutting! The only people whom it will affect will be manufacturers and importers, for whom such an adjustment will be infinitely less complex than their present calculations over ordinary financial dealings with the State and the Municipality. As far as actual practice is concerned, one has only to visualize the position of the general public to-morrow if, as would happen, all the prime commodities, flour, coal, wool, sugar, boots, cotton, meat, milk, etc., were reduced 10 per cent. in price, while wages began to mount and firms began crying out for men as they were doing during the war. As goods began to flood on to the market, money would, as it were, miraculously and simultaneously increase as well, while prices would sink steadily but gradually, and every retailer and wholesaler would be keeping to them in accordance with published schedules. Practically all "proprietary" firms work on Price Control to the public to-day: even if the "economist" knows nothing of this.

Price Control. This is, of course, absolutely vital. So far under all other methods of Goods Ticket expansion, whether the pre-war Bank of England's, the German inflation, our own issue of Treasury Notes during the war and the recent Russian policy, there has either been no Price Control or, if any, it has not been general or properly

co-ordinated. Hence, inevitably, many economists beat the air in denouncing "inflation," "expansion" or "paper money," when their real objection is the absence of Price Control. Tragedy is not the conflict of Right and Wrong, it is the crippling and internecine warfare of Right against Right. This is the plight of most economists to-day in failure to differentiate between the accidental and the essential in monetary theory and practice, and in consequent mistrust and attack of sound currency principles. The Price Control is one of the most vital keys in the Douglas position, as by it we are able to detect and smash the anti-social and anti-national efforts of the financier and the combineer. Accordingly, every device that commercial chicanery and stupidity of logic can produce will be mobilized against it, by those who rightly and with reason shrink from an investigation of their business methods and advertising waste. On this question, Mr. E. H. M. Lloyd has just published *Experiments in State Control*, in which he narrates how a relative handful of civil servants saved the country millions of pounds from the ramp of the gambler, cementing the foundations of his fortunes in the blood of his fellow citizens. The greatest crime of the Jesuits in the 17th century was their efficiency, said Helvetius, and we may fairly say that the Federation of British Industries can never extend its official pardon to a body of bureaucrats, turning over the Australian and New Zealand Wool Clip on expenses of one-fifth of one per cent. of the sales, and involving only a score of experts and about a hundred ledger clerks. No wonder the pious bandit, brought up to believe that commerce was piracy instead of Production, jumped at the text "Business as Usual" promulgated shortly after August, 1914, by some pontificating publiciteer, and instead of rubber, mines, and the other usual gambling counters, turned his attention to Army socks, blankets or whatever else was available and hall-marked by the banks as suitable for advances of the national credit—in order to furnish the private pocket out of the public exchequer. Naturally the manufacturer joined in, for relying on the sound patriotic spirit of the

trades unions all "pulling together," "showing mutual forbearance," etc., etc., and loyally waiving their demands for "the nicely calculated less or more," he could afford to sail in on his rock-bottom creed and top note policy of "the price of a thing is what it will fetch." And he did. It is a long worm, however, that has no turning, and even the War Office revolved on its axis when offered sandbags at sixpence instead of twopence, so that ultimately, by the adoption of a sound costings system and price control, the nation was saved £3,000,000 per annum on that commodity alone. In flax a profit of £4,820,000 was made by the Government—equal to 60 per cent on money advanced from the Army funds, while army boots were brought down from 22s. to 18s. 6d. a pair and Khaki cloth from 8s. 3d. to 7s. a yard. At the same time, of course, even the hard-headed business man began to see that there was something to be said for a policy of stabilization of price, and a consequent stabilization of supplies and guaranteed market. Even so, however, it is admitted the Government made some ghastly blunders in wastefulness and extravagance, but these do not vitiate the sound and practicable methods of Costing and Price Control which have actually been put into practice, beyond the wildest dreams of success. We must beware, however, of purely propagandist attempts to discredit State trading during the war. It is as easy as it is dishonest to point out a loss of £136,199,806 on the Wheat Commission's Account as a result of the subsidy on bread, without simultaneously indicating that it was a deliberate act of policy, and therefore no more a loss to the State than its payments and allowances to the fighting forces. Similarly, the loss on sugar of £27,448,242 is a mere misnomer, so that when the priests of Baal from the Mount of Carmel remain dumb over the Government's profits of £64,000,000 on raw materials, £20,000,000 on insurance and £6,000,000 on food, while crying aloud and cutting themselves with knives over the State's alleged losses, one may invite them instead to apply their "vorpal blades" to their own bloated profits, financial flotations and advertisement charges.

To return to Price Control, the required methods are in existence, and so are the men who can employ them, though under Douglasism—as we shall see later—it is not strictly necessary that they should be Government officials. A complete technique of Price Control and Costing was the discovery of the war, and what every firm is aiming at to-day, in balancing its production with its marketing, can be definitely and rigidly carried out in the Douglas Price Factor.

Price Ratio. But, it will be asked, how is the 10 per cent. net increase arrived at or, in other words, how is it known that the Increment of Net Expansion has been, say, 2 cwts. in 1 ton and not, for example, only 1 cwt., or possibly as much as 5 cwts.—involving 5 per cent. and 25 per cent. respectively instead of our postulated 10 per cent.? Now, clearly, this is the ratio of Production to Consumption, and can accordingly be ascertained by statistics on the lines of the Board of Trade's experience of the Census of Production. Apart, however, from Board of Trade returns, there is another method, namely, the calculation of the appreciation of assets and bank credits in and relative to the industry concerned. If these are worked out with the appropriate technique, and cross checked with an efficient Census of Production, there is no difficulty at arriving at a suitable Factor of Increment or Amount of Net Increase, giving the required price ratio to calculate the Just or Douglas Price from the Cost.

On this point, however, three vital observations must be made. It is not absolutely essential that every individual should necessarily be able exactly to understand or work out a problem like this, which is purely technical. We employ the telephone or the electric light daily, neither of which most of us could construct or probably explain satisfactorily in the least. Do we, however, permit anyone to refuse us the use of the 'phone, electricity, wireless, chloroform, etc., because we cannot sit down and explain satisfactorily even their simplest principles? Secondly, in spite of much that is dark and menacing in the outlook all around, there are scores of weapons ready forged for

the purposes of civilization that only require suitable handling. Before the war, costing was a purely rough and ready operation: to-day the accountant's profession is compelled to handle various cost factors into decimals, and we may take it definitely that to-day there is no problem of cost accountancy, that is more than temporarily insuperable. Thirdly, we have just had, moreover, the Report of the Second Committee of Experts on "Estimating the amount of German exported capital." On such questions as "The return from German assets abroad," the Committee under Rt. Hon. R. McKenna states that the "estimate . . . . may be taken as very nearly accurate," while in valuing the sales to foreigners of mark credits and banknotes, a general method was found in more than substantial agreement when compared with detailed investigation of particular accounts. A mere recital of some of the subjects calculated—German private property in ceded territories, earnings from shipping, insurance, transit, etc., expenditure of armies of occupation, expenditure of foreigners in Germany, sales of real property, depreciation of pre-war foreign assets, etc.—will show that the calculation of the Douglas Factor of Increment is manifestly a matter well within the compass of modern technical accountancy.

Accordingly, starting with a definite Factor of Increment obtained, either as a working hypothesis* (10 per cent. in the case of coal), or as the result of statistical investigation, we are now on an entirely different footing. Consider, for example, the case of—

> 500 men producing 5,000 tons of coal in 100 hours at 55s. Cost Price and 10 per cent. Factor of Increment.

Now, other things being equal, and with certain appropriate minor adjustments, instead of, say, 500 men working 100 hours, we can well adjust conditions to, roughly, 1,000 men working only 50 hours, as of course the same number of time-clerks, wages-clerks and other personnel would not

* *Vide*, p. 120.

vary with the number of coal-getters. But let us note here how the isolation and detection of the Increment Factor can be employed. If, by the improvement of machinery and the demand of other industries, 250 men are sufficient or the only number available, we can either split the net gain between the Cost Price and the Factor of Increment, or allot it exclusively to either. Hence, if in the Parliament of Industry,* it is decided that the national consumption of coal should be checked, or that as a dangerous trade its toilers should work slightly shorter hours, it can be done by operating at the appropriate and decisive point and in such a way, naturally, that neither the consuming public nor the producing collier is in any way mulcted. In result, quite apart from the appearance of phenomena, which would show in a freely functioning system constant and increasing minor gains in the Increment Factor and tending to a stabilized progress, we should have also a technique whereby the nation could intelligently direct both its Production and Consumption along lines that would be as scientific, national and Imperial in their value, as they would be welcome and democratic in their choice. Thus, should there be shortage of wheat, in forty-eight hours by sound democratic methods the individual ration could be computed, issue and price so regulated, all to the national profit and welfare, that in effect the matter would be as simple as the individual cutting down his personal expenditure on his flour, tobacco, or any other private bill. In short, Man would have mastered the Machine that has at present run away with him.

In the meantime, however, without waiting for elaborate figures implying some amount of debatable material, we can start as follows. Here, obviously, we can proceed on the lines along which scores of things are now daily manufactured and marketed. Let us cast back momentarily to our coal sold *ex pithead* at 30s. a ton: the more coal (Goods) produced, the more money (Goods Tickets) is issued: for No Goods, No Money. Accordingly the ratio of 10 per cent. having been adopted as an approximation,

* *Vide*, p. 133 *seq.* and *cap.* VII.

and one erring well on the right side, what will happen? At once, inevitably, a tremendous leap forward in general Industry and Production, as manufacturers find that the general public demand for all sorts of commodities has gone up owing to increased spending power—though, for purely industrial purposes, factories will pay the Cost Price (and *not* the Douglas Price) for their coal, for reasons that will appear later. Now, just as big firms fix their prices for certain periods, to encourage stability and promote buying confidence, the price of coal, for example, on January 1st, 1925, could be fixed at 30s.,* as we have suggested, for three months. By the end of that period the demand for coal would have increased: more would be produced on the same overheads and other costs, other things being equal, and therefore the Cost Price would fall, while the Net Gain would appear larger. Hence it would be found that for the March quarter the price could be shaded a little more, the Factor increased, and accordingly the new money would be greater still.

Then, we observe, would begin to operate an entirely fresh set of factors. Suppose an individual colliery's output is 3,000 tons a week or 40,000 in three months. With a guaranteed price, the men could let themselves go: if they saved a week in the three months' output, automatically increased efficiency of production would be translated into the price and into their own improved conditions: a carry-over of more tons from one period than were consumed then, would appear in a proportionately reduced price for the new accounting period. The next stage would be that the speeding up of process and improvement of machinery would be gradually seen appearing in further progressive abatements of Cost Price. For the wider the margin between Goods expended (*i.e.*, machinery, transport, lighting, power, and other services) and Goods produced (the actual coal), the wider would be

* This *ex pithead,* for private consumers' price of 50s. ton: it would be 35s. *ex pithead* for manufacturers' price, with, however, smaller wholesale agent's charges on account of their quantity buying: so that the manufacturer's price into his own siding might be, say, 45s. ton, in the final calculation.

the margin between the Cost Price and the Douglas Price, or the Just Price, to revive a sound mediæval phrase and ideal. Thus with increased efficiency, the price of Coal would steadily slide down in such a way, however, that its marketing could be easily arranged so that holders of stocks were not penalized by a sudden drop. A falling clause on contracts, or a calibrating factor in costing would meet this difficulty.

At the next stage would begin to show itself an entirely different attitude in industry. Hitherto under our unscientific price system, based on unsound ideas of currency, the trades unionists have found that, no matter how hard they toiled or what the scientific improvements, they were always left standing pretty much where they were. Why this was so, is now " as plain as way to parish church," thanks to the Douglas diagnosis, so that in the past the wages of the artisan have inevitably kept to the level of subsistence and a mere existence. Hence if the British working man really demanded beer, there was a beer margin in his weekly emoluments. Accordingly, " ca' canny " has been a sound instinct in modern Labour, for without it the factory fodder would have been " speeded up," with disastrous results to the national morale and physique.

We are so accustomed to the pious rhapsodies of " service not self " and other profiteering " sob-stuff," that it is interesting to read the other side. *Forward* (July 19th, 1924) has just printed an article by Mr. Andrew Anderson, in which he describes his experience in one of the Ford Plants in America. He reports one rate of payment for two months, then increased from 62 to 75 cents an hour, there being no special rate for Sunday or overtime. As not many people last out the first sixty days, the bigger rate is not required. In one department of 170 men, over 400 passed through in three months! By means of the " conveyor," tools and parts are kept moving so that the men are compelled to work very hard to finish their operations in time. The place is crawling with foremen, known and unknown, and processes are studded

with pacemakers or "pushers," whose precarious tenure is their spur to set the speed for the others. Significantly enough, Mr. Anderson alludes to the Poles and Italians with their imperfect English among the couple of hundred clamouring for six jobs, so that we clearly have the old factor of using inferior populations to bring down the level of the higher strains, just as was done in the North of England in the Industrial Revolution, by importing slum population from the South. It is possible, though indefensible, that Mr. Henry Ford is ignorant of these conditions, assuming the description correct from an examination of its internal evidence. Many heads of firms after a certain stage tire of business, and launch into second-hand moralizings, while allowing their own concerns to be administered along ghastly lines of muddlement and favouritism. It adds, however, the appropriate touch of irony, when we remember that Mr. Ford has completely routed the attempt of the usurer and banker to corral his own business from him, and that he is indeed one of the few prominent manufacturers able to think financially for himself, instead of accepting the unsound currency notions of the present-day banker in both hemispheres.

Fortunately, in this country the dangerous and anti-national division between the strong and the weak in industry is not so acute, and after a few months of the Douglas system it will be seen that "ca' canny," a necessity under earlier conditions, would be now a folly, as it would prevent reduction of price and the consequent increased purchasing power of wages. Then, happily, the slacker whom trades unions at present must tolerate as being often a sound element of discontent in stirring up the contended underling, who will swallow anything for "a job," would be no longer valuable. Alike with the born helot, he would now appear as a drag on progress. There would be no fear of introducing machinery which abolished "labour." It would be welcome, as it would set free man-power and yet increase his purchasing power. Once this factor received full play, it would be shortly seen that in the past we have been virtually working with

the brain power of only about a third of our population, for with the free and crying market for men as during the war—our last era of Goods Ticket freedom—we should have a genuine outburst of individualism, such as that possible under the note-issue system of the early private banks of the nineteenth century in this country.

But, it will be asked, who is to be entrusted with the price-fixing? For this the most suitable bodies would be Cartels for each industry, in which one-third of the members would be appointed by the employers, one-third by the unions and one-third by the State or consumers, they to elect their own Chairman. On this question there was a long letter in the *Spectator* (April 12th, 1924) by Mr. T. B. Johnston, J.P., of the Bristol Pottery, describing how the Whitley Councils in his industry might be approximated to the German Cartels, there to be one with statutory powers over each branch of manufacture and commerce. With the addition, we suggest, of a third of the council appointed by the State (varying annually and terminally in membership), or by purely consumers' interests, this would prevent combination between employers and employed. Just as in a despotism, the general individual is only one part despot to a thousand parts slave, so in a community he is only one part producer to a thousand parts consumer, so that we must not allow the few thousand part producers and one part consumers to use the old stalking horse of "widows and orphans," in attacking the reform of financial abuses. Incidentally, one of the minor tragedies of the Socialist case is that they are more insistent in attacking the big capitalist than in developing the smaller one, and thus have alienated the man with a little property, who is only too conscious of what a hold even that mean measure of economic freedom gives him. In other words what is desired is its extension to the many, not its abolition among the few, for even this may conceivably have been the only means whereby civilization could get its first footing in the minds of men. With a Cartel for each trade, a national Parliament of Industry would clearly be the next development, though

if more than merely advisory, the final sovereignty must be clearly reserved and retained in the House of Commons, where we are all represented as citizens. Mr. Johnston, it should be noted, offers his policy to the Conservative Party as their alternative to Socialism, but in these days when all parties are in the soup as well as the melting pot, it would baffle the shrewdest student of political " form " to say which of the parties will finally induct us into Douglasism. At all events in the administration of the scheme, the Cartel or developed Whitley Council is obviously something along the lines that will be found necessary.

There is, however, one proviso. The mere installation of Cartels is not enough. They must be given the credit issue, by the formation of Producers Banks containing as shareholder each member of the industry, whether mine-owner, manager, clerk or coal-hewer. For the Coal Industry Major C. H. Douglas and Mr. A. R. Orage, late Editor of *The New Age* have worked out an appropriate scheme to permit the required expansion of credit, allotting so much to the State, so much to the Consumer and so much to the producer of the increased distribution of wealth inevitable under the new regime. Affiliated to the Clearing House like the other banks, their holding of the industry's wages would form sufficient deposit, on which to conduct the ordinary business of banking, while they would receive direct from the Treasury the issue of the new currency notes (or Goods Tickets), as they satisfied the State's accounting officials that the goods had been well and truly delivered to the consumer. But on the subject of both Cartels and Producers' Banks, it must be clearly realized that there is no cast iron finality of details in either or both, which are indispensable to economic salvation. When the way is open for sound organization, machinery to meet the circumstances can be rapidly constructed by those fully understanding the Douglas principles. Correspondingly, the public must beware of attempts to foist upon it schemes containing one or two minor details of the Douglas technique, and yet completely

innocent of the one thing that can " Trade's leaden slump to boom transmute." Such adoption and inevitable failure would naturally be loudly canvassed, as an exposure of a system which had indeed not been tried. The Price Control and the Just Price are the two factors most liable to the misinterpretation of malice and stupidity, Price Control, particularly, being a subject on which as yet no defender of the present collapse has challenged Major Douglas.

We have taken coal as one example of the New Economics. Let us take the respective cases of agriculture and boots, to see how the principles work out in their case. As regards the farmer and his men on, say, wheat, it is clear that there is at the end of the year a definite increase in Goods, as the result of Man's toil and Nature's increase. Let us assume the factor of Net Gain is 20 per cent.: then in the normal scale of pricing the wheat should be, say, 60s. a bushel, to enable the farmer to pay his labourers a fair wage, and meet his own expenses of upkeep and profits. He, therefore, sells at 50s. a bushel, and as he pays in his cheques to the Agricultural Bank (*cf.* Coal Bank as above), with the quadruplicate copy of the dealer's receipted invoice, his apparent and temporary loss of 10s. on each bushel is made up to him by the issue of fresh Goods Tickets to his account. In its next stage the farmer's Product becomes the Raw Material for the baker, and accordingly what the baker destroys in consumption (Goods) he " pays for " in price (Goods Tickets), though for purposes of manufacture he pays the Cost instead of the Just Price, in order to keep the productive machine definitely directed always to the turning out of " ultimate " rather than capital commodities.

On the subject of the farmer, we can introduce the hypothesis of a man with a completely equipped farm and yet, for the sake of argument, we may assume him to be without any money whatever. Here we have the typical case of modern industry. A farm of 1,000 acres can produce enough food for 1,800 people for a year, and yet we have 5,000,000 acres less arable land to-day than in 1870, while thousands of men are standing idle, and the consumption

of wheat to-day is 12 lbs. per head less per annum than before the war. Under the present régime he has grave difficulty in getting the money advanced. The facts that agriculture is a "key industry" and a vital factor in national defence and the biological well-being of the commonwealth, are outweighed by the prospects of only a meagre 5 per cent. to 6 per cent. problematic return for the accommodation; although it is estimated by Mr. Harold Cox (*Daily Mail*, July 22nd, 1924) that already this year nearly £100,000,000 has been lent abroad, where returns of 8 per cent. to 25 per cent. may be more confidently expected. However, let us assume that an ordinary bank under a re-organized system advances him £5,000. In using this sum as capital, wages, etc., he has added to the distributing medium or increased the currency which, unless cancelled, after the later addition of his extra goods and their new Tickets, finally would be mere inflation. This is, essentially, a vital point. Mere printing of money without tying goods to them, as in Germany, is fatal. Equally, as we know now, the mere making of goods without money is not enough. They must be purchased or distributed, and this is only possible if the equilibrium between Goods and Tickets is maintained.

As before, let us attack the Goods problem first. During the year the community has to provide the farmer and his men with various foods, tools, services (including housing, medicine, education etc.), and even if some of the food is from the farm, it is still an item of consumption. Let us call all these goods and services X. At the end of the year—taking this as a convenient unit—as the result of work, the provision of Nature has furnished so much wealth or goods, which we will call Y. But Y is greater than X, because there is an extra or net increase from the combination of human effort and natural resources. In the case of a farm, the Factor of Net Increment will vary in different crops and products: for poultry it may be 5 per cent., and occur every week: for fat stock 40 per cent., and be twice a year: for corn 60 per cent., and once a year. Hence for a week's supply of eggs he wants, say,

£21 to clear his accounts: but by the Just Price he only gets £20: this he pays into his Producers' (*i.e.*, the Agricultural) Bank with copy of invoice to prove the sale, and the £1 of New Treasury Notes then issued balances the account. Similarly, on getting £300 as the Just Price for fat cattle "costing" £420 to show him his proper profit, he pays the £300 into the bank in like manner, and getting £120 of fresh Notes credited to his account, is then square on that branch of his business. Finally, of course, he has to sell his £3,200 of corn in the autumn, also at the controlled price—in this case of £2,000. Equally however as he pays it in, in instalments, from various dealers as received, he correspondingly has the amount adjusted to the required sum, by the Producers Bank's issue of Fresh Credit or Tickets.

Accordingly, at the end of the year the farmer would naturally have a sum greater than £5,000 in hand, for he has been making his trade profit all the time. This must not, of course, be confused with the Net Increment, which is a communal creation of extra wealth, and is the basis of the extra Goods Tickets for extra Goods to be circulated in the community. As a result, in his account with his ordinary bank—as distinct from his dealings with the Agricultural Bank—he has got his overdraft of £5,000 to meet. This he does and is left to start the next year with, we may assume, £500 of his own as his savings after supporting himself and family. Progressively, therefore, a man with brains and determination would be enabled under the new system to get credit more easily furnished by ordinary banks. For the production of goods at the end of the year, with a guaranteed price and the certainty of the public now being able and willing to buy under the Douglas Just Price, would furnish sufficient and ample security for advances of credit.

Here we may pause to note one or two revelant points. In a previous paragraph we have stated that the banker's advance of £5,000 would be inflation, unless cancelled afterwards. This is important, as in this particular case the farmer has no Goods Tickets of his own, *i.e.*, no money

in the bank. Hence, obviously, it is quite fair temporarily to add to the community's Goods Tickets, or give him the temporary use of the current stock of them, to enable him to set to work to create the Net Increase of Goods, which will demand New Goods Tickets. At the end, however, the credit *advanced* must be *withdrawn*: the real credit of Goods *actualized* or *created*, however, must be financially *reflected* or *made visible* in the fresh Goods Tickets. Previous to the 1844 Bank Charter Act, bankers made advances by their own Notes which, instead of being extinguished after being advanced as credit, went on to furnish the new Goods Tickets and gave the extraordinary development of industry possible under an expanding currency, providing that by accident or design it is not impounded by holders of stocks of goods. Under the present dispensation, bankers make advances by creating a loan-deposit, which, we know, is later extinguished by the customer clearing his overdraft. As, however, fresh Goods Tickets are no longer created, the payments from the first man's overdraft go into other people's bank deposits. We have, therefore, constantly increased bank-created claims on the existing store of general Goods Tickets, which progressively become insufficient. Inevitably we have the few with their increasing hold on the communal Ticket system, who constantly aggregate greater wealth and Goods to themselves while

> The wretched Many bent beneath their loads
> Must gape at pageant Power, nor recognize
> Their cots' transmuted plunder.

It will be noticeable, again, that the price adjustment will not affect the public or anybody at all as a technical problem. The Factor of Net Increment being fixed by the Cartel's accountants, and modified only at stated periods, dealers, farmers, agricultural engineers, corn merchants, etc., etc., will simply buy and sell in the ordinary way putting on their usual trade profits—10 or 20 per cent. whatever it is—without any bother. The fixing of prices, the plentiful supply and overwhelming demand will stabilize trade. It pays a merchant far better to get an

article introduced at a steady or descending price with his fair margin, than an attempt to be arguing the point with customers for a reasonable profit on things of which he has only a restricted sale, because of his customers' shortage of money.

The increased spending power, as during the war, will at once drain away men from poorly paid occupations, and compel the introduction of further machinery, whose cheapening of the cost will reflect itself inevitably in further output and yet increased Goods Tickets. Prices being fixed, the best stuff will always be sold first and most easily, so that there will be a constant endeavour to turn out something slightly better. When money is restricted the purchaser dare not risk a loss, and will prefer to pay slightly more for the advertised article and be sure of something up to a certain standard—as he thinks. He knows not that the wily label-slinger is equally awake to this, and deliberately trades on it by dodging well below where he dare go selling purely on merit. But if the the customer is prosperous and comfortable and can consequently afford his finer instincts, he will buy with enterprise upon what is clearly a higher level of trading, the trial of the actual goods. This sort of thing will naturally smash the advertising scandal, leaving its legitimate function in trade papers and elsewhere of stating progress obtained, tests passed, etc., etc. The subtly dishonest methods of advertising combine dope by artistic pictures portraying "The Romance of Commerce," which are as irrelevant as they are misleading, will be cut out as they would then detract from the profits, while freer credit and fixed prices would enable small firms to re-enter business and we should have more actual producers instead of so many mere pen-pushers, publicity touts and free gift salesmen. We might expect, for example, a return to small factories operating in foodstuffs near their source of supplies and providing home-made articles so easily and cheaply, that much time at present spent in cooking in private houses could be saved by a restaurant service brought to the door. The underpaid helot in huge concerns would

vanish. If there had to be huge factories—as are desirable for economic power development—they would be communities of co-operating equals. Under the present conditions the small man cannot get his capital. Dozens even of large firms are facing disaster under present circumstances: while if a newcomer attempts to enter a trade, he is liable to be up against what has happened in the past. The head of a large shipping concern, for example, with a monopoly of trade to a certain coast is told a small firm has put in a steamer or two to compete for cargoes there. "Half-rates until they finish!" he snaps out, and then turns, no doubt, to the few brief helpful notes on "The Blessings of Thrift" that he is composing for his next Sunday's address to the local Y.M.C.A.

One other example, from the leather trade may be useful. As in the previous occupations, there will be a leather Cartel with its own Bank of Issue. It will probably be found most convenient for the Price of Adjustment to be made as the boots leave the factories, and not as the leather leaves the tanners. Assumed, shall we say, four dozen varieties (not sizes) of boots, shoes and slippers, there would be fixed prices for each grade. If for a heavy-wear boot for tramping the cost price was 36s., to allow everybody concerned a fair profit and good wages, the Just Price would be about 30s. One or two firms would be able to turn out something superior than the others. What would happen? Their output would sell first, and gradually the others would have to improve or take the inferior end of the market. The better firms, however, would in practice help their weaker brethren, and such a standardized boot might soon be much the same everywhere, just as a far more complicated thing in the 18-pounder shrapnel shell was the same, whether from Bethnal Green or Gretna Green during the war.

So far we have tackled only the technical aspects, but there are two important subjects on which we must touch. What would happen when we started to put Douglasism into operation? Firstly, we must quite definitely reckon with the possibility that the American financial pools would

be prepared to plunge the world into war, rather than lose their lien upon civilization. Emperors, Kings and Popes in the past have not flinched from an attempt "to shut the gates of mercy on mankind," and we are not justified in assuming that the lust of power has lost its impulse and passion. Whether the Great Republic of the West may be deluded into the dance of Death, it is difficult to decide. Here again we have to consider how far the attempt of the financial rings to keep the people ignorant of European realities and the fraud of usury has been successful, and again how far the financiers could rely upon their politicians and advertising clubs to "put it over" the populace, that they were again summoned to fight the battle of Freedom as Good's Own Champions, He having called in the New World to redress the bank balances of the Old. It will be remembered that in November, 1923, however, with the first faint suggestion of "inflation" in this country—they would have said it was "inflation" even if it had only been tentative Douglasism—our "credit" was at once affected. In other words, to dispense with financial cant, the pools at once began to operate against us, just as certain financiers attacked the franc in March, 1924, and another set of them restored it. Accordingly it would be idle to inaugurate Douglasism in this country, without simultaneously concerting measures of more than one category, to whose discussion we must return later.

Secondly, apart from external opponents, we must be prepared to meet astute and inevitably quite unscrupulous attempts in this country to smash any approach to economic freedom. One of the most obvious would be arrangements whereby the break through the vicious circle in coal, for example, would be nullified by an immediate gradual raising of prices in other commodities, in the same way as many of the increased Goods Tickets of the war period were absorbed by holders of stocks, instead of their going to the fresh Goods. This particular difficulty would be met by Douglasizing simultaneously the dozen or score most vital necessities, so that a consumers' strike on the

luxuries would suffice to meet the disgruntled combineer. This is important because, manifestly, in the present circumstances a consumers' strike on necessities like milk, flour, sugar, etc., is impossible. Accordingly if coal, flour, sugar, tea, milk, meat, wool, cotton and housing were Douglasized, proceeding from the simple to the complex, one commodity and industry after another could be gradually marked down, until within six months even the remaining industries would be voluntarily fixing their own price factors.

As it is, however, we see everywhere shortage of production and increasing weakness of purchasing power. The coal trade, busy last year owing to the Ruhr occupation by France, is now being hit by German as well as American attempts to get our export markets. Factories are many of them on short time, and the national establishments that we built to win the war are many of them standing useless. All the time, however, people are suffering from the lack of the very goods these vast power hives could produce. Were it not that air is the gift of nature, and that we have enough sense to control our water supply, both these necessities only a stage more primary than flour, milk, sugar, coal, wool, houses, would be put on "a sound commercial footing," and we should be held up with under-consumption, combined simultaneously with the advertising campaigns of competing combines to "breathe fresher air" and "drink more water." As though people required to be told to "drink more milk" and "eat more fruit"! The spirit is willing but the pocket is weak, and the credit exploiter strong. With the relatively free currency of the war, there was a tremendous rise in the quality of food demanded by the poorer classes, while at the other end their natural instinct for progress was shown by the increase in the numbers of children demanding secondary education. The troubles of the fixed income classes were, clearly, due to the inability to obviate partial inflation—this being, of course, the key point in Major Douglas' proposals first published in 1918, and since

then in many quarters deliberately boycotted, for obvious reasons.

Finally, with a production system permitted free play by a just and scientific regulation of currency, civilization may be expected to enter upon an era such as the world has never before known, and as yet unimagined. Alternatively, we are drifting down a stream whose loud and hastening current admonishes us that the cataracts of disaster are thundering in the distance. On the one hand, finally educated above the cheap acceptance of economic slavery, a generation is growing up for whom even a subsistence tenure in modern civilization is denied, for to-day it is not merely the children of the poorer but those also of the middle classes, for whom the problem of the future must be met. On the other hand, Malthusians try to make our flesh creep by picturing an earth unable to feed its swarming myriads—not realizing that super-production may be applied now to wheats and to plants no less than to machinery. Their remedy to starve the proletariat, like Pharaoh's to keep down the Israelites, but increases their number. With the well-fed and successful, by her miraculous alchemy Nature slows up the rate of fertility, so that our task is simply not to abolish the poor but eliminate their poverty. In the last analysis, as daily becomes increasingly evident, it is our Currency System alone that is to blame, and to-day it is the task and aim of all reasonable and thinking men to investigate and destroy its abuses, to the end that we may remove hunger and economic distress from within our borders and all complaining from our streets.

CHAPTER VI.

CRITICISMS.

For Allah created the English mad,
The maddest of all mankind.

KIPLING.

ROBERT: Whew! You are as mad as she is.
POULENGEY: We want a few mad people now. See where the sane ones have landed us!

GEORGE BERNARD SHAW, *St. Joan.*

For many people the first, last and only criticism of Douglasism will be the *argumentum ad insaniam*, and to such we must commend the answer appropriate to their folly. In dismissing these sciolists, we may, however, admit that there are potent reasons why the comprehension of Douglasism is not necessarily the matter of a moment, or even the achievement of a few hours. It involves for most people the complete re-thinking of all their economic conceptions, though for a few who have merely erred on one or two simple points, there is no reason why a second careful perusal of the scheme should not be sufficient to fuse their doubts and dispel their previous fog of hesitation. In the suggestion that Douglasism involves the "re-thinking" of Economics we must recognize, however, that this involves something more than the mere acceptance of a crude mental fact. For example on learning that a particular train has had its time of departure altered from say 8 a.m. to 8.10 a.m., in nine cases out of ten, this will involve as little effect upon our emotional content as the shifting of a peg in the customary hat-rack. In the tenth case, however, the margin of ten minutes may conceivably so upset an individual's ordinary and ordered routine, so involving moreover the relative adjustment of his business and leisure, that it might

change his habits and ultimately his entire life. In a considerable reorganization of a mental content, or even of a body of thought, we must therefore recognize that it is very different indeed from a change in the comparatively minor data of one's ordinary life. In other words it is almost impossible to be too "psychological," if we wish adequately to deal with the difficulties before us. Sixty years ago science was loosely identified with what was then called materialism. To-day Psychology, the Queen of the Sciences, as the result of the researches of Freud, Jung, Havelock Ellis and McDougall and others, has revealed that some of the actions we might be disposed to defend as the acme of ratiocination, may be as blind and purposeless as the vermiform appendix, or alternatively a dim heritage from an ancestral and arboreal existence thousands of years ago. If a sparrow never falls unnoticed to the ground, no thought ever perishes entirely from the mind, and long after the conscious brain has accepted as final some new demonstration of truth, from the subconscious may be still welling up ideas and attitudes that belong to the discredited conceptions of the past. "Give me a child till it is seven," said the ecclesiastic, "and I care not who has it afterwards." Though this is an aspiration mercifully unsuccessful in result with most people, yet Nature's provision that the adolescent is a "contrariant" creature and reacts strongly against pressure is a wise one, without which each generation would be little better than an echo of its immediate forbears.

Hence, too, there may be to-day alleged against these new ideas, various general arguments that will not be found able to bear examination. At the recent Advertisers' Rodeo, for example, the proceedings concluded with an orgy of sentimentalism, which was reported with the caption, "War Must End Say Business Chiefs." They might equally have substituted Cancer, Sun-spots or Lip-sticks, for all the value in practical result from getting a few hundred signatures to a boob resolution from a procession of delegates, in which those from Scotland took care to "sign on the dotted line" last of all—even after

the subscription of the Hawaiian Islands. Given a mechanical defect in the world's currency systems, whereby nations are compelled to meet gradually decreasing purchasing power, obviously there must be an ultimate choice for the nation, as for the individual, between starvation or war. The weak will choose starvation, and their choice is the measure of their deserts. Our racial genius demands war, so that the publicity pimp, upon analysis, is guilty either of hard-headedly confusing incommensurate issues, or of preferring peace to honour and cant to facts. "*Non in tali dialectica complacuit Deum populum suum facere salvum.*"* Even the Prince of Peace came "not to bring Peace but a sword," for Peace can never be bought by those who will purchase it "at any price."

Similarly "the practical man" who is far from conscious of what his principles and theories are, and still less of whether they are mutually contradictory or exclusive, cannot be expected to value the Douglas diagnosis at its true worth. He is not even captain of his own mind and cannot in the nature of things appreciate the factors at issue. Indeed, one of the tragedies of the situation is the fact that the monetary system of this country worked with such relative smoothness between the Bank of England's last two collapses in 1866 and 1914 that, even after the latter experience, its directors failed to think out and apply the elements of sound currency, but remained content with a policy of "practicality." The result is that to-day we are embarked on a tremendous struggle with the Morgan Pool, a struggle that could have been averted by appropriate measures of banking and currency practice when America entered the war. Had they been attempted earlier, no doubt, the policy might have been too perilous for obvious reasons.

Hence the fact that there has been too little adequate doctrine of Credit and Currency in particular, or of Economics in general, has meant that the business man of

* *It hath not pleased God to redeem His people by reasoning such as this.*

to-day, like the physician of a barbarous tribe, is too often little more than a quack. He is compelled to proceed upon lines more or less empirical, as distinct from the manufacturer whose processes can be as finely adjusted and as scientific as the laboratory work of a chemist or physicist. Economists, too, are more often concerned in the collection and dissemination of data, rather than the analysis and co-ordination of principles, as is shown pre-eminently in their general attitude to unemployment, and a failure to realize for example that State Insurance is a mere servile remedy, rather than a policy for the people of an imperial state.

Accordingly, we meet constantly arguments such as the one that our present currency disorganization has "worked" for so many years and will "right itself." Usually those employing this are unaware of the occasions when the system has been exposed in the past, and inevitably they tend to confuse the accidental with the essential. Paper currency they see to be a failure in Germany, not realizing that it is the absence of Price Control that is the factor of breakdown, though we must not forget also the mode of issue. One is reminded of the Anglo-Saxon trial, which was invalid if there were anything omitted in the mere ritual of ceremony, and where we are not sure of our ground all of us tend to follow an existing system more carefully than when in full possession of its real principles. In the former case the lower levels of the mind, and the irrelevancies of the process, inevitably assert themselves.

Undoubtedly before the war the gold standard gave us the world's monetary leadership, but if, owing to the European War, it transferred that hegemony elsewhere—then it is clearly our business to find another standard in its place. To plead its relevance in the past, is as unwise as the batsman who expects a continuance of "dry wickets" because he learnt his game on them. Adaptation is the law of existence and of progress, and if we grasp sound currency principles, there is no state of society for

which we cannot construct an adequate and appropriate monetary system.

To descend to details, one may be met with the argument "that it is impossible to sell below cost," according to the Douglas Price Scheme. Inevitably, this is true in the present current conceptions. If every retailer reduced all his goods 5 per cent. in price to-morrow, his collapse would be only a matter of time. If, however, the retailer receives his goods with a 5 per cent. rebate and sells accordingly, while the manufacturer making the rebate has his deficiency repaired by new Treasury notes, there are New Goods with their equivalent New Tickets, and all is well—provided the price is controlled.

But there is another side to this. Every act of Production involves increased wealth. A few pieces of wood, lumps of clay, sheets of metal in themselves relatively valueless and productively very cheap, when combined together will make a piece of furniture, a house or machine respectively. There is, in effect, a new act of creation, so that between the raw material with its added processes and the finished article, there is a *Net Increment of Wealth,* which (with the finished article) results in there being New Goods to distribute, both qualitatively and quantitatively. For these, clearly, New Goods Tickets are necessary: this the Douglas technique provides sufficiently and accurately, with the new Treasury Notes or proper Goods Tickets. Hence the present ordinary Cost Price of an article charges us simply for the consumption occupied or loss made in its production, but gives us nothing for the new wealth obtained or the gain achieved simultaneously by that same act of production. This "net increment" is a purely social possession and, logically, there should be general Goods Tickets to distribute it. Thus, taking the Cost Price and making the appropriate adjustment for this gain, we get the Just or Douglas Price, which must be smaller. This is obviously the True Cost.

At present, under a financial monopoly and exploitation, instead of a proper expansion of Goods Tickets for the community, as the only logical source of this Increment, a

"Something for Nothing" almost, the expansion is in bank deposits—with the consequent increased bankers' cheques, and the inevitable tightening of the usurer's clutch on the pockets of the people. Incidentally, there is a suggestive parallel between "the unearned increment" of money and of land exploitation, and it is significant to note that, in his later writings, Henry George was increasingly drawn to consider the technique of financial robbery, as well as that of land appropriation. In his time the more immediate and greater problem seemed the land grabber: for "there be land-rats and money-rats, money-thieves and land-thieves." To-day, however, it is the usurer who is our first objective, even though the land monopolist and extortioner may be the next.

Here we may perhaps recognize that to think along the Douglastic lines we must imbue ourselves thoroughly with the principles and vital differentiation of Real Credit, Financial Credit, Bankers' Credit (an ordinary advance, loan or overdraft) and Social Credit, that cultural heritage which is the possession of all and the fruit of the past, from the tree of knowledge watered by the blood and tears of our forefathers, from many times and lands. Too long the spiral of Man's ascent, in Major Douglas' phrase, has been only slow and gradual. With the coming of coal and steam it was vastly steeper and dizzier, and demands accordingly a greater strain on the human element. Thus to think in these fresh categories is not easy: for they have their own internal logic and inherent body of cohering principles, which when transferred outside are illogical in reality as well as appearance. We are all, for example, accustomed to using the mirror every day, and on the most usual operations instinctively from habit transpose the reflected version into a reverse action in practice. But if we attempt, say, to sew a button, or perform a new and complicated series of physical movements with our eyes exclusively on the glass, we find as when attempting a bow tie for the first time, there is no apparent co-ordination at all between appearance and performance. Similarly, after years of card games in the ordinary way, in the

introduction of "misère," *i.e.*, playing to lose instead of to win each trick, the ordinary mind finds it exceedingly difficult to think out a new technique at once, in a game so similar and yet so dissimilar to the old.

For this reason, many people make as it were the mistake of "crossing the strings" or confusing the categories of Douglasism with orthodox economics. For instance, a man realizes apparently that Real Credit is the important thing and that Financial Credit is the mere adjustment to it. Visualizing a small community, as having all the resources of modern mechanism—but no Money at all—he can fully grasp that the inhabitants can provide their ultimate commodities with probably only three or four hours' work a day. One then puts it to him, for example, that instead of depending entirely on raw coal for power, they can economize it by suitable carbonization and conversion into electricity. Now clearly this will demand proportionate extra work from the community, until the new machinery and processes are fully established when, of course, there will be an instant economy of effort and the appropriate increase in Social Credit and Goods. This the objector will accept, but, when challenged that we should do it under the present régime, he exclaims: "Yes, but we cannot afford it!" In other words, he has unconsciously fallen back into the current fallacies, under which we are fast "slipping down the ladder rung by rung." It is no good a man attempting to use logarithms to solve an intricate algebraical problem, and then half-way through start applying purely non-logarithmic conceptions to his reasoning. He must carry through his logarithmic logic to the end, and then make the appropriate conversion or adjustment back to the algebraic plane. It is no use a man trying bodily to transfer the tactics and methods of Rugger and cricket to Soccer and tennis respectively, though by careful comparison there are sufficient points of similarity in each couple of games, to furnish interesting and useful suggestions and helps.

One of the penalties of our over-specialization is that

it renders it difficult to get that intellectual co-ordination vitally necessary for the adequate comprehension of a system, and no doubt one of the reasons for the popularity of leverocracy—among the levercrats—is that it enables a second-rate man with an all-round mind to play off expert against expert, by his being the only man who can provide co-ordination. An expert may be defined as a man who is a crank on one subject and a fool on everything else, for to master his chosen province, the expert is compelled unduly to narrow his mind. Much may be done, however, by a developed educational system in a Douglasized commonwealth. This will weaken the present undesirable economic compulsion to premature vocational occupations, which for obvious reasons unthinking business men are constantly boosting. It may be taken as a fact that the finest discoveries of Science have been won as the result of the free workings of the pure scientist, rather than from the harried labours of commercial researchers.

Practical analysis and general experience show that we have to-day on the one hand the engineer, and on the other the banker, each woefully ignorant of the other half of Social Credit which, added to his own contribution, can release all our pent-up energies now destroying the machine itself. The engineer can, as a problem in production, give us anything almost, just as the manufacturer in pretty well every factory and industry can double, treble or quadruple his output. The money or the market is the only limiting factor, but if he puts the money down there is nothing the reasonable man requires that cannot be furnished. On the other hand, the banker knows practically nothing of production,* and cannot understand producers and manufacturers always wanting to push on and expand. Money, however, is merely a matter of ticket-printing, so that adding together their respective powers and imposing a price control, there are undreamt of stores of wealth to be unlocked. And yet, each of them is complaining bitterly and respectively of shortage of money and absence of production. It is like one man running about with a

* *Cf.* Mr. McKenna as cited above p. 115.

flask of hydrogen while another is in full career with a similar cargo of oxygen, and both are howling for " Water, water! " everywhere and not a drop to drink. All that is required is to collide them suitably with an electric current of Price Control, and streams shall break forth in the desert and rivers of water upon their dry and barren land.

Accordingly, it is no criticism to state that under Douglasism or even with the unrestricted note-issue, we should have failed miserably to build up our present possibilities. It is probably as well, too, that our national genius for suspense of judgment—the most difficult of intellectual virtues—enables us to try a greater variety of political economic and ecclesiastical experiments, until finally the true principles stand out as definite as scientific laws. Thus after a period of trial, comprising every species of known error, we emerge with an ordered doctrine of thought with which we can synthesize law and liberty, where others make an antithesis between them, and even so destroy one in attempting to use it to smash the other. In a primitive civilization, or one with a low level of political morality, conceivably a note-issue or paper Goods Ticket might be a definite danger. When clearly between two perils, one must prefer the less. Once that limiting factor is gone, there is a new world and indeed the values of the former state are the weaknesses of the second, just as the virtues of a slave are vices in a ruler, while the independence of the latter is a dangerous possession in a slave. Once again we are back at psychology, and even Credit is in essence more psychological that it is anything else: and so, too, sometimes is failure. There was the experiment of suddenly dividing a large aquarium in half by a glass partition. The goldfish imprisoned in one section spent a fortnight attempting to pass through, butting its head constantly against the wall,. until finally it desisted in baffled conviction of its failure. The glass was then removed: but the goldfish had learnt its lesson not well but too well, and continued swimming until within an inch of the assumed partition, when it still swung round in self-deceived impotence.

Accordingly Douglasism, like the hypotheses of Darwin, Pasteur and Einstein in their respective spheres, involves the almost complete recasting of our economic thought, to the acute discomfort of "the plain man," "the hard-headed business man" and "the man in the street." These, thanks to their skilful exploitation by cheap journalists and expensive boosters, seem to think nowadays that muddleheadedness and ignorance are really objects meriting profound respect and handsome obeisance. Indeed one of the penalties of our failure to solve the general problem of production has been that the inferior type of "business man" has been thrust forward too much into politics, with disastrous results in its lowering of intellectual and moral tone, though we have fortunately been spared the appalling and acknowledged graft and dishonesty of American politics. Simultaneously, too, every day the standard of business is sinking, as the methods of the cheapjack and the charlatan extend their scope. We have all read, too, of responsible politicians commending themselves to the public with their statement, in effect, that they were "honest men," "up against tremendous difficulties" but prepared to "pull together and do their best." This sort of fuddled benevolence is, however, highly dangerous. Imagine a doctor called into a patient in a critical illness and employing similar language about being an "honest man," and "prepared to do his best"! What is required is a definite discovery of actual symptoms, an inquiry as to previous and therefore presumably causative events, and a definite policy temporarily adopted, but later equally definitely liable to modification. To-day there are thousands of men who have been within sight of the gates of death, but have been rescued by the art of healing, involving measures that were as cold, logical and scientific as mathematical tables. "The consequences of things will be what they will be: why then should we deceive ourselves?" Given a certain amount of Goods, a certain amount of general Goods Tickets are required. If the Goods are increased, but instead of general, bankers' Tickets (deposits with cheque currency) are furnished, then

the general Tickets must do extra work and are, progressively, at the mercy of increasing claims (cheques) upon them. Hence there is not enough money for the Many. Pushed to its logical conclusion, we should have the larger section of the population literally without money, *i.e.*, in the position of the primitive community in a state of barter or the modern state suddenly deprived of all its money;* in other words all the actual facilities and potentialities of Production, but a breakdown of distribution. If the community is an island, the trouble will appear first amongst the weaker elements of the state. If there is a congeries of communities, they will grade into a hierarchy in which, other things being equal, the more advanced populations will exploit the less fortunate.

For this purpose, it is in the interests of international Finance, or rather the Morgan Pool as its dominant force, that no country should be economically self-sufficing. If A, B, C and D each produce all they need, are self-supporting and are also militarily intact, an external power cannot touch them. If, however, all rely to some extent on A for wheat, B for coal, C for oil and D for sugar, and they have consequently an interchange of goods by credit instruments and bills of exchange, built on the respective banking resources of each, then the controller of the exchanges can grade each country by money shortage and manipulation. Thus what is true of individuals in the preceding paragraph, is valid for states in the second comparison. Hence Free Trade amongst nations whereby each gets the best from the others is a sound idea: when, however, coupled with Slave Finance, it is economically and politically unsound. No wonder that practically all bankers are devout Free Traders. Accordingly it is merely an unexpressed and misunderstood postulate of Credit Exploitation, when we are told that we must sell our coal sufficiently cheap in order to get our food cheap or, in other words, slave and sweat ourselves to make goods, in order to import others which we could make better ourselves. The criticism that then we should live by taking

* *Vide*, p. 17.

in each other's washing is doubly misleading. It has to be done and we must, for example, be prepared to do it ourselves if necessary, or else we have no bargaining power with the laundry.

Inevitably, therefore, a League of Nations, of a self-chosen synthesis of economically independent and self-sufficing equals, is a fine ideal. But it must not be confused with a coagulation of unwilling peoples, compelled to rely for vital necessities upon one or two of the most powerful members, with a lien upon the bonds and blood of the rest and a control upon the interworking means of exchange or money system. Towards the first, the British Empire is a more than tentative approach: for just as freemen will naturally gravitate together by the natural workings of the gregarious instinct, so will free nations equally tend to ally themselves. Similarly, however, in proportion as we believe in this, so shall we reject a false union based on the compulsory aggregation of promiscuous states at all sorts of levels of civilization, under circumstances in which a financial ring can work on "interior lines," and use its part possession of each to degrade and exploit all. Consequently when a few months ago in the League of Nations, one of "the lesser breeds without the law" got up to propose a universal coinage and a supreme bank, it was not surprising that it should instinctively desire a world state based, as at present inevitable, on the despotism of money power. Why not? On the other hand, being pretty well hamstrung itself we may assume by the foreign bondholder, it may have thought that a general body of them might succeed in "belling the cat," where any one separately would fail. Be this as it may, however, a policy of increasing the cat's range and rations is a mistaken one.

But, it will be urged, admitted that Douglasism is feasible for purely internal and domestic trade, it will not be possible to apply it in foreign trade. Here we must first remind ourselves that foreign trade consists merely of the exchange of goods, and that normally very little actual money passes between countries. What pass, however, are

titles to money which may be transferred, just as we as a nation, in order to finance ourselves and our allies, had to transfer our pre-war liens and bonds upon other nations to America, so that to-day the U.S.A. draws from the world a toll and tribute that previously we took. When claims and counter claims are set against each other, the remaining balance may be paid either, as we have said, by securities, or even by gold, under which system we have to send South African gold to-day to the U.S.A. By this means a small remaining balance of, say, £5,000,000 in bullion may, in effect and efficiently, do the work of mediating the turnover of transactions running into possibly £500,000,000,000. What has happened, of course, has been that goods have been exchanged to the value of £500,000,000,000, but on balancing both sides with past and present debits and credits, a transfer of £5,000,000 actual bullion has really "carried" the whole situation. All this is sufficiently elementary, but its premises and corollaries are far from general acceptance or public possession. This is the more important because of the prevailing loose talk of interested financiers about "the gold standard," which is really something they preach for other people but do not practice for themselves. In other words, the gold standard as a standard disappeared when there were more titles to gold created than there was gold to support them, for it revealed that the only backing for currency was the actual goods themselves. Hence, even in continental Europe to-day, where "the long howling of the wolves" of Revolution is ever in the air, there are foreign currencies in circulation extensively. It is estimated that at the end of 1923 in Germany alone, there was to the total extent of 1,200,000,000 gold marks, "dollars, florins, Scandinavian cromes, Swiss francs, pounds sterling, Belgian and French francs: for the exceptional plight of the German mark has influenced Germans in acquiring stable currencies, wherever possible and on a large scale. These foreign notes have remained in the country, instead of finding their way abroad through the normal channel of trade, as would have been the case in ordinary circumstances" (*Dawes Report*, p. 138). In other

words, Gresham's Law of good money driving out the bad is still valid, with appropriate modifications. Nor is this merely true of Germany. It is found to be the case in Russia and other countries, while in France and Italy, as a further confirmation of the fallacy of gold, last year the British Treasury Note was actually worth more in francs and lira than the British golden sovereign! Moreover in the Dawes Report, as the result of the £40,000,000 in gold to be largely provided by the American financial pool, quite apart from selling Germany into economic servitude, out of that mere amount of gold, the Morganatic mystagogues of finance are going to draw the equivalent of, roughly, £125,000,000 per annum!* A carefully selected Transfer committee will take over the goods and payments, in such a way that any difficulties in the exchange will naturally be settled in accordance with the wishes of the dominant power of Finance. In other words, to the technician there is no difficulty in transferring goods between nations—though under the present régime it is the few who prosper and the many who suffer.

Hence we see that any argument that Douglasism is incompatible with foreign trade on general grounds, cannot be regarded as tenable. On the contrary, many of the possible objections are such as are in opposition to normal financial practice, on which there is no dispute between the conventional economist and the Douglas principles. Not to leave the position merely negatively, let us definitely show how we should stand as regards export markets. Now taking coal for instance, we are quite familiar with the proposition of "dumping." For example, the U.S.A. has prospectively a margin of 20,000,000 tons of coal for the export market. At the risk of undue simplicity, we must point out that if her total production is, say, 600,000,000 tons, costing £2 a ton, that output will be worth £1,200,000,000, of which the export 20,000,000 tons will be valued at £40,000,000 at the same rate. Now, by charging £1 a ton instead for the export, now worth £20,000,000, the shortage of £20,000,000 spread over

* *Vide, cap.* VII.

580,000,000 tons involves only an extra charge to the home consumer of 8d. per ton. Thus the home price now becomes 40s. 8d. with the export 20s., instead of the previous 40s. for both, on a total turnover of 600,000,000 tons* per annum for the U.S.A. Our own output, it may be noted, is about 300,000,000. To put it in another way, given an adequate production for the home market, the more adequate it is, the easier can one sell abroad, whereas a country forced to rely largely upon the export market, progressively weakens itself and its power of bargaining. Accordingly under the Douglas Price with the Factor of Increment at our disposal automatically producing more coal, with every refinement of scientific economy immediately appearing in the price, and able at once to turn to electric power and suitable carbonization, we should be able to cut in under any other country on price. Thus their only remedy would be to adopt Douglasism—or take military action against us which, of course, " is another story " to which we must return later. Consequently (reverting to Chapter V.), with the 500 men producing 5,000 tons of coal in 100 hours at 55s. Cost Price and 10 per cent. Factor of Increment (*i.e.*, Just Price at 50s.), when it was realized that the national urgency or the attacks of exchange manipulators, speculators and gamblers demanded it, the Labour, Product, Time, Cost and Price factors could be stabilized or even increased to enable the Factor of Increment to be adjusted, so as to cheapen the export price of coal and dump on other countries. Accordingly, producing what we wanted for ourselves and with the resources of the Empire and those of other countries at our disposal, we could have a judiciously balanced policy of abstention and " dumping," neither of which could hurt seriously a new internal order of society, in which each man was rapidly developing into a small capitalist and a highly trained engineer. By these means we could tackle foreign trade with confidence, regarding it as something to be got by the overspill of our superior producing mechanism, and not to be obtained by our having to bring ourselves down to the competing level

* U.S.A. figs. in actual fact are 590,000,000 to our own 278,600,000.

of mechanized Dagoes or unskilled coolies. At present the preposterous exploiting of the home market to sustain the foreign is, of course, a common practice. As pointed out by the *Observer* (December 9th, 1923) "the truth is that high prices are largely due to monopoly of home markets, which sell abroad at lower prices at the expense of the German consumer." Even under our own misnamed Free Trade, the Indian ryot pays a much lower price for his cotton than we do ourselves as consumers.

It will be readily seen that the Douglas exposition of the real meaning of Credit and Money is not something intended merely for a primitive and hypothetical community, dwelling in idealized conditions; nor does it demand any higher abilities than those in the ordinary decent individual. Further, too, the actual working out in detailed practice to secure desired results must always be liable to appropriate modifications, just as antiseptic surgery has yielded place to aseptic, and as there have been several necessary adjustments since the earliest employment of the X-rays and wireless. Hence, therefore, though the Douglas Theory cannot be upset, it is obvious that in practice as time goes on, it may be possible with improved financial and productive technique that, from such an amazing increase of wealth, the more advanced communities may receive the major portion of their incomes by dividend rather than by wage or salary.

But, under our current disastrous fallacies, the higher the general level of a people, the more it is menaced by the potential threat of the financial stranglehold and control over thousands of helots to enslave the few remaining freemen. For if civilization is to continue and advance we must master money or it will master us. And yet Fate hangs often by a slender thread. Thousands of years ago the Babylonians stamped their bricks with the maker's name, while at the same time there was an extensive literature written on tablets and papyri. Had these two ideas been combined then and the Babylonians thus

discovered printing, who can measure what the world might have gained by this anticipation? For, let us remember, there is no congruity between cause and effect, either in theory or practice. To those who are too ready to shrink from the intellectual effort to grasp Douglasism, and reflect illogically that it is unorthodox, we commend Harvey's reported statement that he never convinced a man over forty years old that his theory of the circulation of the blood was sound. Even Lister resisted the aseptic technique.

As, however, emphasized by Mr. C. P. Isaac in *The Menace of Money Power*, the professional economist has little to offer us in our present troubles, for he has become "to a great extent a codifier of the social trends originated by minds more vital than his own." The theological "Be good, sweet maid, and let who will be clever," has been transferred into the economic "Sweat hard, good fool, and let who will be prosperous," so that we have a slave morality for the material content of our lives, when psychology is beginning to reveal to us a greater range of the divine in the human soul. But, say the trimmer and the ecclesiastic, even the humblest task can be dignified and exalted by the spirit of its execution, and it is possible to sweep a crossing "to the glory of God" and the service of Man. Exactly, if the man must sweep a crossing, that may be admitted. If, however, science can abolish his task and release his soul for something with the creative freedom of the artist, his rejection of this is not the virtue of modesty, but the vice of mean-mindedness. Christian humility is an excellent thing, but, as has been pointed out, one form of it would never have allowed Jesus Christ to emerge from the carpenter's shop at Nazareth. Similarly, Major Douglas' account of the Salvation Army's procession of earnest collectors in Wall Street, with their money-boxes labelled "The Salvation Army is Father Knickerbocker's best friend," reveals to us a blasphemous negation of the Incarnation, which in these days would demand the chastisement of the money-changers and their slaves, not

merely with whips but with scorpions. And yet even that might not avert a second Crucifixion.

Geldwechsler, Bankiers hast du sogar,
Mit der Peitsche gejagt aus dem Tempel:
Unglücklicher Schwärmer, jetzt hängst du am Kreuz,
Als warnendes Exempel!*

* Money-changers and bankers once did flee,
Flogged from the Temple by Thy scourge,
Unhappy Fool, now hanging on the Tree,
Thy trespass before all to purge.

CHAPTER VII.

AN IMPERIAL POLICY.

Poverty is the parent of revolution and crime.

ARISTOTLE.

When we enter the realm of State action, everything is to be considered and weighed on its merits. Changes in Death Duties, Income Tax, Land Tenure, Licensing, Game Laws, Church Establishment, Feudal Rights, Slavery, and so on through all ages have received the same denunciations from the absolutists of contract—who are the real parents of Revolution.

J. M. KEYNES.

As much life is needed for conservation as creation. We are always in peril, always in a bad plight, just on the edge of destruction and only to be saved by invention and courage.

EMERSON.

Let us speak plain: there is more force in names
That most men dream of: and a lie may keep
Its throne a whole age longer, if it skulk
Behind the shield of some fair-seeming name.
Let us call tyrants tyrants, and maintain
That only Freedom comes by grace of God,
And all that comes not by His grace must fall;
For men in earnest have no time to waste,
In patching fig-leaves for the naked truth.

JAMES RUSSEL LOWELL.

We have seen that our troubles to-day proceed mainly from misconceptions of Currency, for, while not disputing that there are other difficulties in our day and generation, we suggest that a previous and conditioning factor of economic instability is one that is being neglected by the sociologist, philosopher and the religious thinker, to the peril of the very causes that they have at heart. Take, for example, the question of gambling, on which the professional moralist is very fond of attempting to invoke paternal legislation. Analysed, it resolves itself into the

desire for risk or excitement *plus* greed, or the spirit of "something for nothing." And yet the desire for risk is clearly one of the finest traits in human nature. Given a choice of two courses, it is only by virtue of innate superiority that the more difficult is preferred, for in a ruling race that will stamp its beliefs upon the world, the cardinal virtues must be justice, courage and self-control. Even though it suffer tremendous casualties for its creed, yet if it be survived by stocks browsing on the more servile virtues, these latter will only contribute to Posterity by passing on the lessons of a larger faith. "In the beginning was the wager! The losses have been colossal, unimaginable! Only a Divine universe would have dared to back itself against such odds—or escaped bankruptcy so long. What better proof could you have that the universe is Divine?"* Now if by reason of a mean and disorganized civilization, man is degraded into a mere pen-pushing or crank-turning Robot, and the rightful instinct for risk and excitement cannot have its due and ordered outlet, then almost infallibly it breaks out in the sordid traffic of the tipster and the fight-fan. This is borne out by actual experience. In distinction from the ordinary harmless betting meaning very little to most people, and as harmless as the constant small wastefulnesses of a comfortable existence, it may be asserted that the classes who are the strongest supporters of gambling are those whose monotonous daily lives, or inability to enjoy leisure properly, drive them to excitement, not desired by the man whose daily occupation is full of human contacts and constant varieties of hazard. We do not find that lawyers, doctors, or farmers, for example, are regarded as addicted to gambling. The exigencies of their work, we suggest, are such that in general they do not need it. Incidentally, it would be interesting to compute how many worthy men who would be horrified at the idea of gambling, yet invariably buy speculatively, simply and unconsciously because the instinct for a flutter is in them. As regards the factor of greed, obviously that is a characteristic easily developed by the

* Principal L. P. Jacks, "*Smokeover.*"

hazard of a subsistence existence, and therefore needs no analysis. It is one of course, mercilessly employed in coupon methods of selling, often by firms whose heads would be regarded as notorious opponents of the very principles they exploit for commercial purposes. Again, though the State no longer depends for its stability upon half naked children under eleven years of age crawling on hands and knees half a mile underground, hauling tubs of coal, yet modern industry is still infested with immature boys and girls, toiling at blind-alley occupations and robbed of all but the minimum of education, while grown men have been discharged because they demand a higher wage. The situation is not, of course, to be met by dragooning the latter into chattel as well as wage-slavery, as many devout Tories would have it. Under present conditions, few are exempt from the conscription of hunger save by the fact of wealth. Mere national importance or eugenic considerations do not avail.

I remember my mother, the day that we met,
A thing I shall never entirely forget,
And I toy with the fancy that, young as I am,
I should know her again if we met in a tram.

But mother is happy in turning a crank,
That increases the balance at somebody's bank:
And I feel satisfaction that mother is free
From the sinister task of attending to me.

They have brightened our room, that is spacious and cool,
With diagrams used in the Idiot School,
And Books for the Blind that will teach us to see:
But mother is happy for mother is free.

For mother is dancing up forty-eight floors,
For love of the Leeds International Stores,
And the flame of that faith might perhaps have grown cold,
With the care of a baby of seven weeks old.

Thus Mr. G. K. Chesterton in one of his Educational Odes. Yet even that prince of paradox must hide his diminished head before a system that sends the weak and weary mother

out to a day's charing, while she leaves her infant in charge of a crêche staffed by unmarried women, presumably much fitter physically for a hard day's graft. Here again, however, we must distinguish between the swift, superficial and perilous palliative and the more stable and radical remedy. Accordingly, the social and religious reformer must realize that, for a drowning civilization, the primary remedy is a plank rather than a prayer-book. Though the sinner bellow oaths while imbibing the briny in his struggles, he will not repent until his rescue, and the more adequate and unconditional the latter, other things being equal, the more sincere and permanent his moral restoration. As it is, however, quite apart from the general countenance and support mutually accorded between the moral values of modern industry and the Churches, there is an atmospheric suggestion that just as the war was "a judgment" on us, so to the average man it appears that the representatives of organized religion are more concerned to regard the present distress as a convenient text for themselves, rather than a defiling horror that demands the crusading zeal and hostility of a Wilberforce or a Shaftesbury.

It follows, therefore, that as our task to-day demands all the forces of idealism, so also there is necessary for the re-orientation of the economic system a thoroughly definite practical policy, whose details can be thrashed out with ease and propriety. Recently the Board of Trade has appointed a committee of eighteen members, "to inquire into and report upon the conditions and prospects of British industry and commerce, with special reference to the export trade, and to make recommendations in regard thereto." At least five of them are the pink of current financial propriety, and it is interesting to speculate whether there will be a formal invitation to Major C. H. Douglas, to give them an early hearing of a remedy they will be compelled to adopt sooner or later. It would be desirable, however, that there should be a Royal Commission on Currency, into which the present committee could be translated by the addition of, for example, statesmen like the Rt. Hon. H. H. Asquith or Viscount Milner, scientists

like Professor Soddy or Sir Robt. Hadfield, F.R.S., and a few prominent industrialists not unduly hampered by a theoretical knowledge of orthodox economic fallacies. Quite apart, however, from any practical steps as a result, the proceedings would serve as a permanent record and exposure of much prevailing ignorance, and clear the way for the established recognition of those principles of currency which are vital to our imperial existence.

Consideration will show, however, that there are seven vital points in the policy of Douglasism; they are as follows:—

1. The Control of National Credit.
    (*a*) Bank Reform.
    (*b*) Social Credit.
2. Increased Production.
    (*a*) Great Britain.
    (*b*) The Empire.
3. The War Debt.
4. American Financial Policy.
5. The Dawes Report.
6. The American Debt.
7. The Foreign Exchanges.

In putting Douglasism into execution, it would not, of course, be possible to proceed simply from one stage to another. Certain practical steps would probably be necessary at once with regard to the American Debt which, therefore, we must leave to the end of the chapter without in any way underrating its importance.

1. The Control of National Credit.

The term Credit, it will be admitted, is most strictly, perhaps, a psychological term, implying the innate mental and physical attitudes of a people as well as their material possessions in land and machinery. Cultural inheritance would be included, so that it is in essence the sum of national capacity which keeps things going in this island and Empire, and is thus the creation not merely of the manufacturer or the labourer, but the fruit also of the thinker, the schoolmaster and the social reformer. In other

words, Credit or Real Credit is essentially a communal possession, and cannot even for a moment be tenably demonstrated otherwise. Though, therefore, the terms are somewhat anomalous and inadequately categorized, we divide Real Credit into Bank Credit, as its financial aspect is mediated in the usual manner through the bankers as a distributive mechanism—and Social Credit, as being that aspect of Real Credit due more particularly to the magic increment of association, " which turns sand into gold " and is constantly increasing. Possibly if we defined Credit into Financial Credit, that made manifest and actual by currency instruments, and Real Credit, that residing in men and material present and potential, we should be more accurate. At all events the terminology is somewhat vague in the matter, so that we must bear this in mind accordingly.

In taking Bank Credit, what do we find? It is, of course, the National Money and Credit system, which in Bagehot's words " depends on the Bank of England for its security. On the wisdom of the directors of that one joint stock company, it depends, whether *England shall be solvent or not.*" Bagehot then goes on to show that the Bank does not even know its own position. That it knows its job and the elements of sound currency, no right-thinking man would attempt to prove from the crises of 1847, 1857, 1866 and 1914. " The policy of the Bank has frequently been deplorable, and at such times the defects of its government have aggravated, if not caused its calamities. In truth, the executive of the Bank of England is now much such as the executive of a public department of the Foreign Office or the Home would be, in which there was no responsible head." Later on, the suggestion as to whether there should be a permanent chairman, is deprecated by Bagehot, on the grounds that " such a man would be one of the greatest men in England . . . . Practical men would be apt to say that it was better than the Prime Ministership, for it would last much longer and would have a greater jurisdiction over that which practical men would most value—over money." Thus the distinguished

economist, even then not fully realizing the true inwardness of the whole position of the national Goods Ticket system. But a greater than Bagehot is at hand in Gladstone, who left a memorandum:—

From the time I took office as Chancellor of the Exchequer (*i.e.*, 1852), I began to learn that the State held, in the face of the Bank and the City, an essentially false position as to finance. When those relations began, the State was justly in ill odour as a fraudulent bankrupt, who was ready on occasion to add force to fraud. After the Revolution (of 1689) it adopted better methods though often for unwise purposes, and in order to induce monied men to be lenders, it came forward under the countenance of the bank as its sponsor. Hence a position of subserviency, which as the idea of public faith grew up and gradually attained to solidity, it became the interest of the Bank and the City to prolong. This was done by amicable and accommodating measures towards the Government, whose position was thus cushioned and made easy, in order that it might be willing to give it a continued acquiescence. The hinge of the whole situation was this: the Government itself was not to be a substantive power in matters of finance, but was to leave the Money Power supreme and unquestioned. In the conditions of that situation I was reluctant to acquiesce, and I began to fight against it by financial self-assertion from the first, though it was only by the establishment of the Post Office Savings Banks and their great progressive development, that the finance minister has been provided with an instrument sufficiently powerful to make him independent of the Bank and the City power, when he has occasion for sums in seven figures. I was tenaciously opposed by the governor and deputy governor of the Bank, who had seats in Parliament, and I had the City for an antagonist on almost every occasion.

(Morley, *Life of Gladstone*, Vol. I., p. 650.)

What therefore is the real position of the Bank of England as the controller of our Money System? Here, inevitably, we must touch on the legal and constitutional question of Sovereignty, which is the supreme power of the State, by virtue of which it defends itself against foes at home and abroad. Now there are certain powers which must belong to the State, without which it cannot fulfil its function of providing an expanding basis of civilization for its members, though it must be realized that sovereignty is necessarily fluid at times. For example, in a primitive community private war and vengeance are permitted, but in the completely developed state, the remedying of injustice is normally the prerogative of the sovereign power. Manifestly among the indefeasible criteria of sovereignty

are legislation, the control of armed forces and the issue of coinage. In other words, therefore, not merely is the Bank of England incompetent. It has been allowed definitely to usurp one of the most vital functions of Government, even though there was a time when the credit of a few individuals was better than that of the government. But now at any rate their present tenure of power is a monstrous anachronism. Quite apart from the hopeless illogicality of their appointment from the point of view of their position as national trustees, let us consider their actual interests as revealed by the presumptive accuracy of *Whitaker's* and *The Directory of Directors*.* What about, for instance, our vital industries of Agriculture and Coal? Any representation there must clearly be quite inadequate and relatively indirect—except in so far as it may be hostile, by reason of interests connected with seeking higher profits from foreign investments. The proportion of foreign to English businesses seems in the ratio of 3 to 1, including in the latter figure Insurance Companies whose funds are probably considerably bound up with foreign securities. Incidentally, as regards current events one notices Brazil well represented, where there is a rebellion centring round Sao Paulo, also possessing interests in direct contact with the controllers of our Goods Ticket System. Now it is reported (*Daily Mail*, July 29th, 1924), that the revolt is partly attributed to the dissatisfaction of the coffee-owners with a British financial mission's recommendations to the Brazilian Government. Here are half a dozen vital points at least. For one thing the Tea Trade is booming and particularly in U.S.A., primarily a coffee-drinking country. Is the Bank of England, represented on this Commission and having at least one other director interested in Tea, backing the Tea trade to any great extent and using its hold on Brazilian and Sao Paulan securities to bring what would be called "moral pressure" to bear? Or rather, will the banks and financiers be putting it that investors will not look with a favourable eye if certain eventualities occur? One notices too, that

* *Vide* Appendix 9, I.

there is "an attempt to separate the southern provinces from the northern Government," and also that there is "army dissatisfaction at the renewal of a French military mission, which was reorganizing the Brazilian military forces."

Moreover, not merely is the Bank's control of the national Goods Ticket system an outrageous violation of all sound constitutional and financial propriety, but it must be noted that it is officially endeavouring to propagate this heresy elsewhere. Represented on the Dawes Report as well as the Brazilian commission, both these bodies have recommended a supreme Bank independent of Government control. There has been talk, too, about the Bank Rate, the raising of which naturally would be a serious question for all business men. One wonders what the Federation of British Industries thinks, when in perusing the names of firms connected with the Bank, it reflects that all these excellent institutions have a pious priority in catching the first faint whispers of its impending advent. What a difference it would have made to Dunlops or Crosse & Blackwell and their shareholders, if they had realized that it had been a far, far better thing if they had bestowed their funds in some investment trust, which

with extensive view
Surveys Mankind from China to Peru,

before entering on a proposition it backs to win whatever happens.

(*a*) *Bank Reform.*

So far we have confined ourselves to purely destructive criticism. What is to be suggested along constructive lines? Clearly in Goods Tickets there are two aspects, Banking (or administration) and Issue (or creation). Now just as we have a separation between the Judiciary, or administration of the Law, and the Legislature, or the law-making power, so equally we should distinguish the different functions and personnel in currency. We cannot allow our Judiciary to decide that there must be no legal reform or fresh laws. Accordingly, when new laws are

required, they must be provided by the sovereign people functioning through its elected representatives. On the other hand, that body is unsuitable for the trial and administration of law, a highly technical question, best left to a professional body independent both of the legislature and the executive, the latter acting as a liaison between the people's judges and its representatives.

Accordingly the Bank of England should manifestly be reformed on the following lines:—

i. *Personnel.* Just as each Government appoints its own Lord Chancellor—a distinguished political lawyer—so it should appoint its own Governor of the Bank of England to hold office under conditions similar in tenure and status. The deputy governor could be chosen annually from and by the directors of the Bank, so that he would to some extent be a counterweight to any undue political influence. The directors might clearly rank in pay and status as junior only to His Majesty's Judges: for the control and administration of our currency involves issues almost as far-reaching as those concerned with our High Courts of Justice. They should no more be permitted to hold other directorships than a judge could be a partner in a firm of solicitors or take briefs. Instead of being confined to the merchant credit houses as at present—an utter absurdity, once defensible and then only for a limited period—they ought obviously to be proper bankers, who indeed should form at least 75 per cent. of the new board. It seems desirable that each appointment should be made only by the Prime Minister, and that office should be held for a period of perhaps five years "*quamdiu se bene gesserint,*"* the terms of removal being similar as for His Majesty's Judges.

As regards the transition from the present Board, it could be met by one-third remaining, they being elected by their fellows or chosen with the remaining two-thirds of new creations by, say, a committee of past and present Premiers, with or without the Lord Chancellors. With 75 per cent. of the directors being the presumptive heads of the banking profession and chosen accordingly, the balance

* *During good behaviour*: the terms of Judicial tenure.

could be ex-Treasury officials or distinguished financial organisers like the late Lord Cromer or even scientific manufacturers. There should be no question, however, of appointing a notorious adventurer simply because he is self-made and is always hymning his creator. It has been admitted even by American bankers themselves that the supremacy of British banking, as against that of other countries, in the past has lain considerably in a reputation for a better level of character and dealing.

ii. *Function.* At present, as we know, the Bank has an ordinary Banking department as well as an Issue department. Now clearly there is a legitimate function of a Bank for other Banks. This the reformed Bank of England would perform, and in it there need presumably be no modification of its present work. Equally, in common with other banks, it could be allowed to continue the advance of loans as in its ordinary business, thus facilitating the development of trade. There is no reason why the Government account should not continue to be kept there. This account, together with suitable action over the National Debt, might furnish the Government with a method of approach, not to say attack, if necessary in putting the Bank of England once and for all upon a sound basis. The expropriation or purchase of the capital of proprietors would also have to be considered. It is doubtful whether the Board would abdicate its office, or even its holding, with any voluntary alacrity.

The eldest Oyster looked at him
But never a word he said:
The eldest Oyster winked his eye,
And shook his heavy head—
Meaning to say he did not choose
To leave the oyster-bed.

In the Issue department we have a function exercized definitely, of course, as an intrusion upon the prerogatives of sovereignty, and one accordingly that should be revoked forthwith. At the same time, however, it would seem desirable that the existing bank notes should be left, not

merely as a historical curiosity, but by way of a reminder that a currency, like any other system, is a thing of growth and evolution and that, other things being equal, that organism is the finer with the wider rather than the narrower range of possibilities: for the worst is only the corruption of the best.

(*b*) *Social Credit.*

Clearly, then, the whole question of issue or the creation of fresh permanent currency is legitimately a State prerogative alone. Though therefore, as re-iterated above in a previous chapter, the ordinary bank's function of advancing credit by loan will not be restricted but rather developed, as it will be a less hazardous proceeding, the printing of fresh Goods Tickets, or if metal their coinage, will come only from the State office of the Treasury. With the Producers' Banks for each Industry, the Goods Tickets will be issued from the Treasury through these, upon suitable accounting check, to each producer as he pays in his receipts, these showing also actual sale and delivery to the agent, wholesaler or retailer who has, of course, sold at the Just Price to the general public. Thus, with the expansion of Industry and Goods, will be furnished the equivalent and appropriate Tickets or Currency, and Production will march from strength to strength. If, however, by the necessity of Nature or the improbable event of war there should be the destruction of Goods, then an elementary grasp of the principles will show that either a ration of Goods furnished to the State, or alternatively taxation, can be so adjusted, that the sabotage of Goods correlates with the withdrawal of Money.

2. Increased Production.

As regards the ordinary banking, that may be expected to go on in the usual manner. But when we reflect on the problems of Social Credit and increased Production, questions which should neither be settled in a corner nor be discussed upon the housetops, it is inevitable that there should be set up a Chamber of Industry, whose powers,

however, should be purely recommendatory. There is no reason, however, why they should not thrash out certain bills which, with very little amendment, could be made into substantive Acts of Parliament by the Legislature, almost within three or four days. On such subjects as Summer Time, labour and supplies in Housing, Factory Acts, much of the time wasted in Parliament would be economized by the Industrial Chamber being able to present an agreed programme, as a basis or point of departure for discussion and action by Parliament. Its members would then criticize it as genuine citizen representatives, and not as flag-wagging and wire-pulling agents for brewers, financiers, miners or commercial travellers. Just as the House of Commons allots so much for the Army and Navy, similarly it would vote blocks of Social Credit along the lines presented to it by the Board of Trade which, as forming the Cabinet of the Industrial Chamber, would have got through the required allocations of new currency in its own House and there thrashed out the appropriate priority for materials, etc. Not a halfpenny of fresh currency would therefore be issued without the final sanction of the representatives of the people.

Industrial Chamber. Roughly sketched, this would appear somewhat as follows:—

Chairman—elected.

Cabinet; Head—President of Board of Trade, who would select his lieutenants for Dominions, coal, education, medicine, etc., along lines similar to those of the Prime Minister in Parliament.

Representation—(1) Number, about 300.

(2) According to number of people in industry, *e.g.*, there are, say, 2,000,000 in agriculture, 1,000,000 in mines, 100,000 in fisheries: up to 100,000 the members' unit might be 10,000, after that 100,000.

(3) The franchise should be territorial and categorical: *e.g.*, if there were, say, 48 mining representatives, one-third should be chosen from the owners, a third from the miners and a third from the public members of the Whitley Councils, by the electors of each body for its local council. Hence though there would be a National Whitley Council chosen by its own members, the delegates to the Industrial Chamber would be chosen by the original electors of each local Council. Undue centralization would be prevented by choosing the 48 representatives on the lines of three from each of 16 local areas. So long as they were local in choice, they need not be actually in the council area.

Obviously, the above suggestions are only tentative, and it does not seem necessary to elaborate what would be the appropriate subjects for discussion in such a chamber. Clearly, however, it would lighten tremendously the load of the Imperial Parliament, which is compelled at present to spend far too little time on more important European and Imperial problems.

(*a*) *Great Britain.**

Ignoring now the fallacies of "employment" and "trade," we are in a position once again, as during the War, to think along national and rational lines, and ask "Given our actual requirements, can we or can we not produce them ourselves?" Here we must distinguish between the professional economist or financier and the engineer or manufacturer, who we may note tend to be totally opposed to each other. "It is absolutely necessary that the productive capacity of the individual should increase very much compared to his capacity during the

* Appendix 10.

last ten years, during which it has undoubtedly been on the decline: . . . . in 1912 the production of Europe in real goods was far greater than to-day (1920): . . . . in Great Britain the national plant and equipment will probably have suffered by the cessation of expenditure and maintenance." Thus Hon. R. H. Brand in his *War and National Finance* (pp. 65, 177, 123), and yet he has to admit that there is a constant pressure on banks to expand credit which they have to brake in and break down. Why? Simply because Production is always striving to advance, and hitherto our bankers have not had the technique to provide the adequate currency, in such a way that expansion could be steady and yet scientifically adjusted. On the other hand, "Mr. Edgar Crammond of the British Shareholders' Trust reported our production capacity as at least 50 per cent. above 1914" (Cumberland and Harrison, *The New Economics*, p. 105), while it is notorious that many firms have doubled, trebled or quadrupled their plant since then. With the abolition of "ca' canny" in the war, unskilled women with the improved machinery, then possible on an expanding currency, turned out more shells than did the pre-war skilled man in certain types, such as 18-pounders.

Here we must repeat figures already used, when we remind the reader that whereas we grew 10 weeks' supply of food in 1914, in 1918 we had jumped to 42 weeks. Thus when we realize that more densely populated countries in Belgium and Japan are self-supporting, we may take it that under a sound financial system we could support a population in these islands of about 100,000,000. One thousand acres suitably worked can support 1,800 people for a year, while since 1870 5,000,000 acres have gone out of cultivation. And yet we unpatriotically allow the Highlands to be depopulated to provide deer-forests for purely pleasure purposes! Agriculture, still the largest industry, with 12 per cent. of the employed population in 1901, is manifestly a vital industry, not merely strategically but also biologically, for the towns are constantly recruited from the country, which produces a more stable and sounder

type. Clearly, instead of setting one against the other, we require the stability of the countryman with the alertness of the townsman, not forgetting also that the superior racial and more individual strain of the Nordic type, which formed the ruling class of ancient Greece and Rome, is one that tends to perish in the towns—leaving the short, dark-eyed and more gregarious variety in possession.

Passing from agriculture to manufacture, we find again that development actual and potential has not been properly realized. In Liverpool, where municipal enterprise has tremendously benefited the rates, the electrical power has been expanded from an output of 3,000 kilowatts to 78,540 in thirty years. As compared with states like Oregon, Washington and California, our consumption per head of electricity is only 150 kilowatt-hours per annum, whereas theirs is 1,100. According to Mr. G. D. Hardie, M.P. (*Daily News*, May 29th, 1924) "we used to pile coal upon inefficient boiler fires, getting about 15 per cent. to 20 per cent. of the actual heating value of the coal—and we still waste it." Yet modern science has shown that, by low temperature carbonization at the pithead, we could develop at least three times as much power as we do. We have rich supplies of coal, as pointed out by Sir Philip Nash, who gives it as his opinion that there is enough coal in the world for countless centuries if it is properly treated. At Witbank, the famous South African mine, by using duff coal, electricity is produced at the fuel cost of one penny per 48 kilowatt-hours. In London the fuel cost is 1s. 8d. After electricity and coal, comes gas in which, in the opinion of the late Lord Moulton, who co-ordinated the explosive efforts of all the Allies, we have been reaping only one-tenth of its proper value.

Of course, under the present fallacious system of finance, proper electrical co-ordination would probably result in our being handed over to an enormous Power Trust. With the Douglas technique this can be easily avoided. It is interesting to notice how Germany has made tremendous strides in her power development, very largely as the result of expanding her currency or inflation, though the lack

of price control has simply played into the hands of "big business," as shown by M. Poincaré in a striking article in the *Daily Mail* (July 24th). The central electric power stations have improved their output of 2,000,000 kilowatts in 1913 to 3,400,000 in 1924—an increase of 70 per cent. Lignite fuel production is 75 per cent. increase over 1913, while coal is about 30 per cent. increase. Blast furnaces have been 32 per cent. and Martín furnaces 40 per cent. in development during the last ten years, and all this during the blockade, with Germany fighting on two fronts. Steel is already up on 1923 figures and will probably be 20 per cent. above what she turned out in 1914. On the other hand, we ourselves in pig iron and steel are only turning out round about 7,000,000 and 8,000,000 tons respectively per year when, in the opinion of Mr. Arthur Dorman (Messrs. Dorman, Long & Co., Middlesbrough) we could produce 10,000,000 tons of pig iron and 12,000,000 of steel.

So far we have omitted the possibility of fresh scientific developments in agriculture and industry. Mr. Henry Ford farms 5,000 acres in 20 days in the year, it is reported, by the aid of machinery, and the combination of mechanism with scientific wheat and other plant culture, like most problems in production, is only a question of money. Then too, apart from water power, there are the possibilities of power alcohol from sugar, starch and cellulose. Beet sugar can be well grown in this country, yet in the recent sale at Gretna there was tremendously valuable plant for alcohol-power extraction disposed of at a ridiculous price.

But, as for increased Goods, there are at present no specifically increased Tickets, it is not reasonable to blame the manufacturer for getting the tickets as best he can. Hence, there is pending another cut in the production of rubber in order to get the price up to 1s. 3d. lb., the economic limit for the firms concerned. If the 5 per cent. cut now made is not sufficient, another will follow until a satisfactory basis is reached. At the other side of the world we have farmers feeding wheat to their fires instead of fuel, though with the slump in this country the

consumption of wheat is down 12 lbs. per head below the 1914 standard, just as sugar is down 17 lbs.

The greatest margin in the increased possibilities of Production, however, is seen on machinery. In the Ford Plants, 28 men used to do 175 assemblies of cars a day. Now it is 10,400 in eight hours: while 60 men on a riveting job used to do what now one man does in a day. In the U.S.A. one operator in 1890 produced 432 socks a day: he can now turn out 3,600. A modern steam navvy is worth 200 men, while a bricklaying machine is in use in Glasgow by three men laying 1,200 bricks an hour. In Sheffield four men can produce 100 tons per hour of 1¾-inch billets. The cotton industry in Lancashire could produce all the requirements for this country for the year in under a month. Conversely, together with the recent triumph of the rubber planters in cutting down production in order to save their industry from financial collapse, stock raisers in the Argentine have had to kill off all calves born overnight, to keep their market prices firm and themselves from heavy money losses. But there is no need to labour this point, when one remembers the tremendous production efforts of the national and other factories on munitions, while at present the same buildings are standing partly and in many cases entirely idle. There is definitely no production problem, as any engineer will confirm.*

(b) *The Empire.*

Before approaching the question of the Empire, let us consider first the League of Nations. As regards the aims of many of its supporters, these every reasonable man must desire, but at the same time one must equally recognize that under the present financial fallacies it is a doubly perilous proposition for ourselves. In fact the League is one of those delightful ideals like Universal Peace. It is so desirable that weak-minded sentimentalists hanker after it "at any price." In point of fact, if every nation were

* It has been calculated that *under three hours work a day* would suffice to give us all in Europe or the U.S.A. a supply of Goods equal to a present untaxed income of £1,000 per annum, for each *individual*. *Cf.* Appendix 10.

thoroughly free and independent, economically and militarily, each would instinctively desire to be on good terms and co-operate with its neighbours, so that the League of Nations would become a harmonious growth. In other words, as with Peace, a League of Nations is a mere result and a reward. Any attempt to make it a specific aim, results rather in a betrayal of the causes the sentimentalist ostensibly has at heart. Unfortunately, some of these gentry are more interested in a nigger with a grievance than an Englishman with no bread, not realizing that if we solve the larger trouble, the smaller ones tend rapidly to disappear. As the cynic put it, more mischief is done by the weak-minded than the ill-intentioned.

Thus there are two definite perils from the League of Nations in practice. First, inasmuch as our cultural standards of liberty, government and civilization—inferior though they are—are the highest in the world, there is no reason to suppose that we can compromise in any but the wrong direction, in close industrial or political co-operation with the Continent. For example, the British artisan, in spite of the follies of his leaders, should be determined that he is not going to be fodder for the factory more that six hours a day, with a tendency to three or four under a sound financial system. Is he therefore to work longer time, because the Patagonian or Persian delegate reports that his loyal and hard working helots believe that "*laborare est orare*,"* and prefer eight hours a day spent in production rather than prayer? Secondly, by keeping directly ourselves out of these things, and making our interests the interests of a world of free and independent communities, we are rendering an attempt at economic or military world-power considerably more difficult, if instead of to the League of Nations we subscribe to the British Navy. Conversely, under the present financial disorder and impending collapse, the League of Nations is a mere fool's plaster to cover a congeries of imperfectly sovereign communities, each dependent on international finance and its Vatican of Mammon, the Morgan Pool. Incidentally,

* *Work is prayer.*

one of the cleverest things in recent history has been the way in which the Pool has hoodwinked its home public into the idea that it did not behove the United States of America to take too close an interest in the "Benighted States" of Europe. "Trust your Uncle!" is an excellent motto for the pawnbroker, but if he believes that "the world is my parish," it is surely of some interest to his original clientèle, when they find that his terms of accommodation contract in convenience as his outlook expands in horizon.

Accordingly, therefore, rejecting the League of Nations, let us realize that we have in the British Empire a scope and a policy that can free us once and for all from undue dependence on foreign commitments. Let us consider, for example, Europe, the United States and the British Empire. Now, taking Europe and the States as being pretty much the same in size, what do we find? In the one, there are anything up to half a dozen distinct civilizations, though grading into each other, twice as many languages and four times as many racial and national feuds. In the States with one language—and, some might add, no civilization—there is a national consciousness and definitely one State only. How? Largely, of course, as the result of the inherent racial superiority of the original stock, added to the magic of the Coal and Iron Age, and its attendant genii the telegraph and telephone. And yet to-day with our scientific resources, the British Empire can be as much a unit and unity as were the United States fifty years ago. In 1066 when Harold fought at Stamford Bridge, it took him nearly three weeks before he could meet his conqueror at Hastings, and down to the modern railway system any guaranteed acceleration of mobility would have been improbable. To-day in that same period of time, an Expeditionary Force of 50,000 to 100,000 could be transferred from this country to the slopes of the Pacific.

It follows, therefore, that to-day in the British Empire we have a racial, political, commercial, transport and intelligence unit, compared with which the average modern state down to say, 1815, was almost a jumble of disjointed entities. Instead of tying ourselves to European

complications beyond our need, obviously our task should be to make an Empire stabilized on a sound currency and production policy. Protection, however, coupled with our archaic financial system, is merely an aggravation of the evil drift which allows the spoils of Empire to corrupt and destroy freedom at home. On the other hand, when not intended as the old political device of stirring up trouble abroad to conceal and side-track discontent at home, Imperialism must be a sound and necessary policy of regarding the Empire as a unit, based on the federated free choice of independent nations.

On these lines we may expect that each State would have its own Chamber of Industry with an Imperial Office, corresponding to the Colonial Office linked with the actual Parliament, in touch with every other constituent member of the Empire for purposes of keeping concerted an Imperial policy of Production. This would, necessarily, have to be worked out by an Imperial Conference, which could arrange a permanent body to keep liaison between all States of the Empire. Hence there is no intrinsic reason why this Autumn the question should not be met fairly and squarely, while retaining Wembley as a permanent Headquarters for Imperial Products.

But, it will be asked, can the Empire become a self-sufficing unit? The answer as to the same question for Great Britain is "Yes," and it is one that must be carried out for every political, commercial, social, biological and strategical reason. For Strategy is only biology in terms of months, while biology is strategy in terms of centuries. Take, for example, wheat. The Empire can produce wheat, not merely for us but with an ample margin for export, and during the war the incentive of a relatively free currency, with consequent high prices, developed production of wheat tremendously, not merely here, but in Canada. Owing largely to her own careless methods of farming, the United States is partly dependent on Canada for wheat and this is a factor of which we must not lose sight. Next, as shown in the *Manchester Guardian* Empire Number, in frozen and chilled meat the Empire produced in 1913 40

per cent. of the world's output, and this in spite of the fact that only 1 per cent. of the area of Australia is cultivated, and that there are vast districts in the N.W. awaiting development. New Zealand, however, is beginning to get its dairy produce in increasing quantities here. At the same time, the pork and hog products industry is badly under requirements in this country and Ireland. However, what Denmark has done we can do, providing, be it noted, the farmer is given adequate credit, Just Prices and a guaranteed market. In sugar the Empire furnishes only one-half of its requirements, but there is no reason why we should be dependent on others. We import only about 30 per cent. of our requirements of sugar from the Empire and require in all about 1,500,000 tons annually. In British Guiana alone 2,500,000 tons could be produced where at present 105,000 tons represent the annual crop. Then again, there are the West Indies now with an output of about 110,000 tons. Probably this could be multiplied by five to seven, with suitable labour and other organization. Natal and Queensland are also sugar areas, and the latter could produce no doubt as much as Cuba, which has doubled her crop since 1913 and now supplies a quarter of the world. Queensland has at least 500,000 acres available, but her problem like that of all the fruit industry in Australia—dried and canned—is simply one of capital. How the London financiers have exploited the necessities of the colony when requiring Credit, the reader will recollect from a previous chapter. Sugar is, we know, peculiarly a question in which American interests have got together into a combine, both to exploit their home market and cripple our export trade. When we recollect the possibilities of beet sugar in this country as well as on the rich soils of Kenya and Uganda, with the prospects of water and railway transport to the northern and eastern ports of Africa, we shall see that in sugar we have a weapon of economic bargaining as well as our own food supply. Nor must we forget its value for power-alcohol.

In tea we grow two-thirds of the world's supply, and with the progressive drought of the U.S.A. it is not

surprising that the consumption of tea is increasing there. In a more noxious poison such as cocoa, we produce sufficient to dope the world, and yet leave an ample margin for chocolate to maintain the flapper permanently in indigence and the dentist in affluence. All that Lancashire requires in cotton the Empire can grow, with still possibilities of immense increase in Nigeria, Uganda, Rhodesia and Queensland, apart from the present sources of supply under the flag. In wool, we possess 68 per cent. of the world's exportable surplus in addition to our own requirements, yet there is room for more sheep. Canada, for example, has only about 3,000,000 in her flocks. In rubber, one of the most valuable products in the modern age, we have 70 per cent. of the world's supply, though at present under the crippling sabotage of unsound finance it has to be restricted in output. In iron ore, Britain's reserves are about 10,000,000,000 tons, while in Australia they are about 900,000,000, though in Newfoundland the reserves are reckoned at 3,500,000,000. In oil, supplies may be reckoned in Trinidad, Australia and South Africa, with Canada as having the most optimistic prospects. For zinc, silver, tin, as well as other commodities like silk, hemp and flax the Empire has supplies that, in some cases adequate, yet require expansion in others, while for copper and lead, India, Africa, and Australia have not yet begun to produce as they should. Equally we remember, however, that Canada is relatively unpopulated* and yet has an annual water-power estimated at 20,000,000 horsepower, while a country like New Zealand can take ten times its present number of inhabitants. Australia has but two people to the square mile, and Rhodesia supports a population of about 4,000 Europeans, in an area six times the size of England.

As being, in the words of *The Manchester Guardian* Empire Number, "the World's third largest reservoir of supply," the position of Canada is of overwhelming importance in economic and military strategy. There is

* Great Britain, Area 121,000 square miles, population 48,000,000.
Canada.........3,000,000 ....10,000,000.

a growing realization of the economic and financial hold that the U.S.A. is getting upon Canada, and every day strengthens it under the mad follies of our mandarins of a misbegotten currency. In the *Daily Mail* (July 29th, 1924) there was a striking article by Mr. George Bulkeley, who estimates that for every 25 dollars invested there by ourselves, the U.S.A. puts 200 dollars. All the while, however, we must realize that, what the United States are doing by financial expansion, they are inevitably following up with the cultural weapons of propaganda, so that inevitably a lower standard of civilization and commerce must be insidiously instilled into their customers' minds. In these days we war yet with principalities and powers, though at first in ideas and ideals, which are only crudely embodied later in force. Just as militarism and Kaiserism with the mailed fist seeking the domination of the world have been smashed, so equally must we destroy credit-power and Morganism with the mailed bond. Both systems expanded so far with a strategy of psychology and persuasion that could be carried out in peace. Sooner or later for the second, as for the first, must come the final appeal to the god of war, and in that conflict Canada is destined to play a vital role.* Meanwhile our bankers are engaged in cozening Germany into economic slavery at the price of manœuvring France out of the Ruhr, all at the cost of the British manufacturer and artisan whose "trade" and "employment"—their only titles to goods under our current fallacies—will be immediately and severely hit by the unholy alliance of the Teuton industrialist and his Wall Street bondholder; even though the loan is carefully arranged so that the dependent money markets are all *compelled* to take up a part. All the while Canada, probably the future predominant partner in the British Empire, is calling out for sound measures of finance and development, and in this connection it is significant to note that Douglasism is making headway amongst the Western farmers. Inevitably agriculture, whether in England, Canada, or the United States, must be one of the first

* Appendix 11.

industries to fall into the dominion of credit exploitation. In the words of Mr. George Bulkeley as above, "a comparatively few more years will see the end of opportunity for British manufacturers to establish branch factories there, for the plain reason that the U.S.A. will have already planted branch factories of her own, or capitalized Canadian factories for every product needed." From Canada itself we have Mr. F. C. Wade, K.C. (Agent General for British Columbia) telling us, "The greatest commercial game ever played is beginning on the Pacific; the entire trade of the Pacific is at the disposal of this country, but business men will have nothing to do with it." For "business men," we must of course read "financiers." In Pharisecism, whether of religion or of usury, the established priesthood is pledged to unending warfare against the prophets of a spiritual liberation by Christianity, or of an economic freedom by Douglasism.

3. The War Debt.

No attempt to touch upon an ordered Imperial policy would be complete without an allusion to the War Debt, which is pressing so heavily upon the nation to-day. In order to understand its real meaning we must retrace our steps momentarily. Reverting to Chapter V., we saw that goods and their appropriate Tickets were represented as follows:—

Goods A— — — — — — — B

Tickets P~~~~~~~~~~~~~~~Q

In other words, A B and P Q together represent a community with its normal supply of Goods and Money (Goods Tickets) under ordinary circumstances, shall we say for example, like ourselves in 1914. Now supposing that, under stress of a tremendous urgency, we suddenly found our existing supply of Goods inadequate to rescue ourselves from impending disaster. What did we do then? We did the obvious thing, *i.e.*, create a tremendous amount of Goods over and above our usual requirements, and then used them to defend ourselves and got rid of them in the destruction of War. Now, in order to move those extra

Goods round amongst manufacturers, traders and artisans, an enormous and exactly equivalent amount of extra Goods Tickets (Money) was required. As, however, the Goods were destroyed, so should have been the Tickets by calling them in, *i.e.*, by appropriate taxation. *Hence, theoretically, it would have been possible for the increase in national Production precisely to have balanced the amount of purely military consumption and destruction. Thus in 1918 we should have actually produced what was required to win the war and then, except for human loss and wastage, have been exactly where we were in 1914.* (Here we must recognize however that, so hopelessly did we under-produce in 1914 that, in spite of the terrible demands of the War God, the extended currency of Treasury Notes consequently expanded all free output and abolished poverty in the producing classes 1914 to 1918.) Accordingly therefore the Government from 1914 to 1918 should simply have issued Treasury Notes directly itself to factories, etc., with appropriate Price Control, carefully at the same time, of course, heading off bank inflation. It should then have put on appropriate taxation, so that when the extra Goods Tickets had done their allotted task in financing War production, they should have been called back. But what actually happened? Instead of printing the extra Tickets, the Government committed the supreme insanity of going to the Banks and letting them advance loans (making increased deposits in other banks, all interacting together) to their customers and to itself. These were, of course, necessarily enormous, being used to manufacture and distribute the increased goods. The next stage was that when cash was required to mediate and turn over these deposits, the Government *then* provided Goods Tickets in the form of Treasury Notes, and these reached the public and the banks through the Bank of England.

Instead, therefore, of issuing the Tickets itself by virtue of its being the sole guardian, as it should be, of the National Credit, the Government was responsible for the amazing folly of "borrowing" the National Credit from the banks, and then saddling us with an enormous sum of

interest to pay for it all and yet remain in their debt!!! In other words, the banks have been allowed to steal our credit and charge us for allowing them to do it! Thus for all war-goods entirely produced in this country 1914 to 1918, there should not have been a halfpenny of debt—any internal debt now existing being the result of mere financial fakery. Nor does Mr. McKenna, however, seem to feel any qualms on the matter when he states: "The Government under the overwhelming necessity of war-effort has been the great borrower from the banks" (January, 1920).*

And yet the only remedy offered by the present Labour Government in our troubles is to borrow more credit from the banks to provide—*not Goods* but—*Work* for the "unemployed" in Sheffield, Middlesbrough, Newcastle-upon-Tyne, Barrow, the Clyde and our other war-prosperous peace-ravaged areas! Mr. Cecil Wilson, M.P., stated in the House recently that Sheffield has spent £9,700,000 in relief, that last year's rates are £500,000 in arrears, and that half the ratepayers are paying by instalments. One in six of the ratepayers has been summoned for non-payment, while the Co-operative Society's takings in one branch have dropped from 20s. to 10s. per member in three years and £750,000 has been withdrawn in capital. In places like West Hartlepool thousands of ratepayers are behind with their money, while according to Mr. Trevelyan Thomson, M.P., the expenditure in out-relief in Middlesbrough has risen from an £18,000 average 1914 to 1919 to £274,000 for 1923. The average rate of unemployment for the country is 9·4 per cent. insured persons. For the N.E. Coast it is 17·9 per cent. in marine engineering and boilermaking and 32 per cent. in shipbuilding. Half the tenants of Middlesbrough have not paid their rates due on March 31st, while over 100,000 are in arrear. Large sums have been expended in public works. By adding further to the rates, this means that the shopkeepers and middle classes generally are having their standard of life inevitably lowered (*Daily News*, August

* Appendix 3 II.

5th). At the same time in high conclave, some of the more well-meaning and mischievous Liberal publicists are trying to hammer out schemes for guaranteeing incomes for the insured by family—in other words, simply another step forward to financial bondage and the Slave State.

In dealing with this appalling Charter of Bondage the recent War Debt, in so far as it is the possession of the banks and other corporate associations, it should obviously be cancelled out of hand and replaced by Currency Notes. As about 70 per cent. is thus owned, this leaves 30 per cent. in presumably private hands. Possibly below a certain minimum of, say, £20,000 such amounts might be allowed to stand. When we reflect that the country conscribed the wealth as well as the bodies of one generation between 1914 and 1918, there seems no great hardship in imposing a limit of the nature of £20,000. However, there is grave danger that improperly handled (comparable to the events of 1922)* such a scheme might be equivalent to a measure of deflation, while also it must not be confused with the Capital Levy, such as the banks themselves might well propose as a harmless substitute for a salutary "seisachtheia." The question, therefore, is one for careful technical examination and discussion along sound financial lines. Similarly, it will be found that what is sauce for the part is sauce for the whole, so that the National Debt also may well be abolished by the same methods.

4. The American Financial Policy.

But our payments to our own rentiers do not exhaust the strain upon our purses. There is also the American debt of something like £35,000,000 per annum—a shilling in the £ income tax—and no solution of our present discontents can pretend to be adequate that has no remedy for this drain upon our resources. In dealing with the question, however, we must first cast back to the early and fatal flaw in the expansion of Goods Tickets by cheque currency and bank deposits, leading to the centripetal control of Finance.

* v. Appendix 5.

Though we cannot accept his view that "the state control of banking is a heresy," or that his suggested remedy or that of Professor Soddy have the adequacy of scope or delicacy of adjustment of the Douglas technique, yet no attempt to study our road to ruin can be complete without the close perusal of Mr. C. P. Isaac's *The Menace of Money Power*, in which he shows how the Morgan Pool has developed its threat to the world's freedom. After the flotation of the United States Steel Corporation in 1901 and various other financial dealings, as the result of the 1907 crisis, Mr. John Pierpont Morgan was instrumental in getting the Federal Reserve Act of 1913 passed, "which placed the control of the banks of the U.S.A. under a board of seven people." Recollecting that Mr. Isaac published his book in 1921, we read his account of how the Mexican question has been interlocked with Morgan's Standard Oil Company and further note his reference to the prevailing suggestion that "the world shall be supplied with credit by an international commission of financiers, who shall be free from political influence," as the presumptive hope of the world. This he realizes to be nothing less than that "the destinies of mankind shall be handed over to a group of individuals, the dominant personalities of which shall be members of the Morgan Pool."*

Bearing in mind this was written over three years ago, let us note carefully that during the last twelve months we have had the British Financial Mission to Brazil—including Sir Charles Addis, K.C.M.G., and Mr. Hartley Withers—recommending a Central Bank there, independent of political control, *i.e.*, of any accredited check by the community's representatives. We have also had actually proposed in the League of Nations, an international currency independent of political control—an appalling example of admitting backward states to act as pawns for unscrupulous international finance to operate against the little remaining economic liberty of the British Empire—while the Dawes Report is endeavouring to foist the idea of a Supreme Bank upon enslaved Germany. At the same

* *Menace of Money Power*, p. 280.

time, even Mr. McKenna has suggested that our future note issue should be handed over to the Bank of England, so that no one interested in ideas of sound finance can fail to realize that the immediate outlook is a black one. It is, however, realized in thinking circles that the dominant force in the world to-day under peace conditions is the Morgan Pool, and that in so far as one man may be said to rule the world, that man is Morgan.* In spite of Washington's approval of the first sketch of the Dawes Loan, it was found that the Morgan Pool disapproved. This was fatal, for in the words of *The Observer* (July 27th, 1924), "the bankers in the last resort have the whip hand in any scheme which concerns international finance." Even if the loans were promised by the Stock Exchange, they would be, of necessity, dependent on the banks either in New York or in London, which is simply hanging on to New York in these days. Incidentally, too, that old stalking horse "the private investor" is trotted out. In these days, in the last resort, there are no private investors when the waters of the Pool are troubled by its presiding deity, and they arise and overwhelm the incautious paddler, to his cost. It transpires, too, that the Pool "is frank enough not to conceal its disinclination to invest money in any European concern, unless the British Government can be made to stand as ultimate security. The transactions of 1917, when America refused to lend money to France or Italy except on a British endorsement, were an illustration of a principle which is still operative: and the history of the intervening years has vindicated the judgment of New York on purely realist lines" (*Observer*, July 27th). In view of this, one does not wonder that for several years America was "too proud to fight," but not too poor to use our blood to write bonds that should gather in our gold while it lasted, and the fruits of our sweat for years to come. At all events, it is significant that her entry into the War was timed just about the stage when practically all our foreign securities had had to be sold to finance

* His firm J. P. Morgan & Co., of the U.S.A., has a London branch, Morgan, Grenfell & Co., this latter having a seat both on the Board of the Bank of England and in the British House of Commons.

the fight against the Central Powers. It would probably be wanting in respect for the Pool and the American nation, however, to think that this was unintentional for the former or deliberate for the latter. It is, however, only just to the genius of the Napoleon of the New World, to recognize that at least two of his brilliant coups have been carried out in such a way that he appeared not so much as the wielder of power but as a benefactor, so that the stupid and unthinking have been led to reflect on the superficial fact of a temporary benefit, rather than the permanent danger of a secret, personal and irresponsible despotism. Here we refer to his rescue of the French franc in March, 1924, by the method of working the exchanges. As we write, however, it is noticeable that the exchanges have begun to move in our favour, simultaneously with the almost complete and sudden blanketing down of hostile discussion of the Dawes Report in this country. Last week (July 28th to August 2nd) there seemed promise that the country was realizing the ghastly peril to our trade, under the present financial régime. This week there has been a definite slump in the publication of such a vital discussion.

Having, therefore, wrested the financial leadership of the world from ourselves, and insisted on our payments to them in gold, the American financiers have got, it is estimated, about £800,000,000 of gold in their country. Now clearly with that they have the means of furnishing a tremendous expansion of industry in their own country. At a time when trade is depressed there, it is strange that so far there have been few awkward questions as to what is to be done with that gold. Discussion on this side has touched on the possibilities of American inflation, thus trusting foolishly, in fact, to the idea that sterling might recover through some presumptive folly of the Federal Reserve Board. If the U.S.A., however, understand the Douglas technique, they could have a colossal boom, using currency expansion on easier lines with that amount of gold. Whether, however, it is the wit or the will of the Morgan Pool that is deficient in the matter, we must leave to the reader's judgment. Here we may relevantly quote

an extract from the famous Hazard circular of 1862: "Slavery is likely to be abolished by the war, the power of chattel slavery destroyed. This I and my European friends are in favour of. For slavery is but the owning of labour and carries with it the care of the labourer, while the modern or European plan is capital control of labour by controlling wages: this can be done by controlling money."*

5. The Dawes Report.

Turning to the Dawes Report, we note the insistence upon a gold standard of currency and the private control of that currency, together with the establishment of a bank with all the note issue independent of the German government, though controlled by international finance. Ignoring its expressed aims and concentrating on actual prospects, we observe that Germany is offered the prospect of evacuation of the Ruhr, with the ability to undercut us in nearly all export markets.

In return for this she will pay treaty charges—

1. From her budget, as collateral security for which are pledged her alcohol, tobacco, beer, sugar and customs revenue. Standard annual payment = 1,250,000,000 gold marks.
2. From her railways by means of—
   (1) Bonds, 660,000,000 gold marks per annum;
   (2) Transport Tax, 290,000,000 gold marks per annum.
3. From her industries—
   300,000,000 gold marks per annum.

It is computed, therefore, that in a standard year Germany will pay *2,500,000,000 gold marks*, *plus* a supplement computed on an index of prosperity. It is definitely admitted that plant capacity has been increased and improved since the war, while all this terrific turnover is going to be done *out of 800,000,000 gold marks*, showing the farce of the gold standard, except for its anti-social employment. With this, however, Germany is passing into

* Cited by Major C. H. Douglas, *The Star*, April 22nd, 1924.

what is virtually economic slavery to the U.S.A., for she will be harried with commissioners who will see to it that her idle hands do not hang down in the house of bondage. One of the most sinister provisoes is the Transfer Committee, whereby as Britain begins to feel the draught in her export markets and increasing unemployment returns, it will be exceedingly difficult for her to take any appropriate action. Already, however, there is talk that Germany's submission to the yoke is an admirable precedent for other countries. If this betrayal of the Allies is allowed to go through, it cannot at least be pretended that our acceptance of the Dawes Report has been a national achievement, being in fact the work of financial diplomacy, working under the false but ever present terror of the Morgan Pool.

Nor must the sudden almost silence that has fallen on public discussion be allowed to mislead us as to its present intentions and future results. The National Union of Manufacturers, through Sir William Bull and Lord Birkenhead, has had presented to the two Houses of Parliament a petition, asking for a committee of full enquiry before the Report is put into force. Mr. Thomas Johnston, M.P. (West Stirling) in his speech in the Commons quoted Mr. Asquith, Mr. W. Runciman, Sir Oswald Stoll and Mr. Arthur Chamberlain, to the effect that German exports (under the present financial system) would do us more harm than good. He gave the *Money Market Review*, the *Manchester Guardian* to the same effect, while his citation of Messrs. Samuel Montague & Co., that "the diversion of German indemnity coal to France has spoilt our markets in that country" is telling, as coming from the Government's own financial advisers (*Forward*, July 26th). Nor is this a mere party question, for Mr. A. M. Samuel, M.P. (Farnham) in an interview with the *Daily Mail* pointed out that Germany, even if put upon her feet, cannot create a fresh volume of trade per year of £2,500,000,000. She will be compelled, painful as she may find it, to oust us from our markets, while her bondage to the U.S.A. will mean further tremendous power to America, in her expressed policy of depressing sterling in

favour of the dollar. In later issues the *Daily Mail* returns to the charge, with practical citations from Sir Frederick Mills, chairman of the Ebbw Vale Steel, Iron & Coal Co., Ltd., Mr. G. Mure Ritchie of Palmer's Shipbuilding & Iron Co., Ltd., Jarrow, and Mr. E. Surrey Dane, the latter giving details of Germany's improved equipment and output since the war and her licence policy against manufactured imports.

6. The American Debt.

Moving from the Dawes Report as the European aspect of the Morgan Pool's policy, how do we stand as regards their hold on us through our annual payments of £35,000,000? Here, undoubtedly, a ghastly mistake was made, when first we consented to make our payments without some guarantee of co-ordinated receipts from France, and secondly we contracted to pay in gold. As Mr. Bonar Law pointed out, "it would reduce the standard of living in this country for a generation, and would be a burden upon us which no one . . . . has any conception of." Nothing indeed is more clear in all the damning record of the last fifteen years that in dealing with Finance, the lynch-pin of civilization, our statesmen and bankers, almost without exception, have been fiddling with problems in which they had not, and have not yet grasped, the elements of sound thinking.

What our policy should be, was set out in his letter of September, 1922, by Major C. H. Douglas to the then Prime Minister, the Rt. Hon. D. Lloyd George. With one or two minor and appropriate modifications, it is the only basis for tackling the problem to-day. The proposals were as follows:—

(1) That the British Government address and publish a further Note to the United States Government, setting forth with the maximum clarity

(a) That the debt contracted to the United States by the Allied Powers in general, and Great Britain in particular, was a debt for GOODS, *and that the capital appreciation incident on the supply of those goods accrued to the United States nationals, together with the financial media representing that appreciation.*

(*b*) *That the Allied Powers, and Great Britain in particular, are now prepared to deliver at the same rate, over an equal period of time, at prices ruling during the periods at which the various debts were contracted, goods to the value of the debt, in return for U.S. War Bonds, which will be cancelled on receipt.*

(*2*) *On the acceptance of this proposal by the United States Government, the Allied Powers will notify the late enemy Powers that raw materials and semi-manufactures are required for the purposes of (1).*

(*3*) *During the period covered by (2), the credit-capitalisation of all manufacturing firms in Great Britain will be assumed to be ten times the yearly profits. At the outset of this period the credit-capitalisation of such firms will be assessed as ten times the profits of 1922.*

(*4*) *At the end of each three-monthly period subsequent to agreement as to (1), a fresh estimate of the credit-capitalisation of British firms will be made on the basis of (3), and the collective increase will be taken as the increase for that period of the general credit. Fifty per cent. of the financial equivalent of this credit will be applied to the provision of the floating credits required to finance (1), and fifty per cent. will be applied to enable retailers to supply goods for home retail consumption at reduced prices.*

Should it be found, AS MAY WELL BE THE CASE, *that the influences effective through the United States Government are not concerned to secure the liquidation of the debt, but rather to use it as an instrument for the imposition of policy, it is clearly a matter of the gravest concern to the people of Great Britain and the United States.*

It will be observed, naturally, that, reconstructed along lines of sound finance, our productive machine can now turn out goods in peace at three or four times the only rate possible in war. Accordingly, the actual goods we received from the States—or their equivalent in peace goods—can be soon replaced, while the receipt of goods from Germany would be so much gain to us under the Douglas Price System, which would enable also the functioning of paragraph (4). This, of course, would solve the whole Reparations question, which under the present financial muddle, is as manifestly stupid in result as it is undesired in policy.

It has been shown in an earlier chapter that Goods Tickets or Money is only a secondary thing, and can have no logical or defensible basis in anything but Goods. A relatively primitive community can dispense with Goods Tickets: but with Goods, never. Here we may consider the

case of Fiji in 1858, as cited by Flürscheim (*Clue to the Economic Labyrinth*, p. 159). The islanders had inflicted alleged injuries upon certain Americans, to the asserted extent of 45,000 dollars. To collect this, an American squadron was sent, which suddenly seized some of the best islands as security, threatening bombardment if payment were not made upon certain specified terms. The Fijians were quite unable to produce the money. Accordingly their King Kakabo, under the suggestion of European colonists, approached the merchants of Melbourne, where a company called the Polynesian Association was formed. "Undertaking to pay the debt due to the American Government in instalments at specified times, the Company in return received . . . . 200,000 acres of the best land, chosen by itself: exemption from all taxes and duties for an unlimited time, for its factories, operations and colonies and the exclusive right, for a long period, of maintaining banks of issue, with the privilege of the unlimited issue of notes." Finally the King was forced to levy a direct tax in money, to raise which the natives had to sell their produce at any price, or borrow on it at usurious rates. Ultimately, many of the population, under the tax pressure, were compelled into forced labour and practical slavery, with the result also that the whole aspect of the islands was changed and entire districts were impoverished and depopulated. After annexation by Great Britain and the abolition of the poll-tax, produce was accepted by the Government which was of course able to take over the payments itself.

Analysing these facts carefully, let us ask ourselves their significance. In the final resort, there is no wealth but goods, services and the equipment of Nature. All these are necessarily distributed and mediated by Tickets, which may be of any particular form, as their essential significance is not in themselves but in what they represent. It follows, therefore, that the Americans in the case of Fiji were entitled to compensation in the shape of goods and services. To suggest that it should be executed by means of American goods-tickets was a manifest injustice, only carried through

by virtue of *force majeure*. If the situation had been reversed, and Fiji's goods-tickets had been pearls, would the U.S.A. have paid over to Fiji, pearls that were worth quite possibly a hundred times as much in America as in the Southern Pacific? Obviously not, for the U.S.A. would have used her strength to get an adjustment based on equity. Hence, of course, if to-morrow we could suddenly turn out synthetic gold as rapidly as ordinary bricks, does any sane man imagine that the Morgan Pool would welcome the wiping-out of our debt to them and their lien upon us? Clearly not, for they would at once lose the tribute we are paying them, at least three times daily merely on our foodstuffs, quite apart from their general grip on us as if we were a defeated foe. Logically, therefore, we should liquidate the American Debt in goods and services, though not necessarily in the form of the guns and shells that we received. This is what Major C. H. Douglas, as a sound financier, suggested nearly two years ago to Mr. Lloyd George. Had it been carried out, all of the debt would by now have been extinguished, and the burden of our taxation lightened correspondingly. Unfortunately our gold standard and other currency cranks are so pitiably ignorant of some of the first principles of finance, that the task of lightening their darkness is not easy. Incidentally, however, quite apart from the question of debt as a dangerous weapon, just like an aeroplane or poison gas, we must not forget that there is a modicum of truth even in the gold fallacy. Its peril as a final standard must not blind us to the fact that the need for a final standard might be best met, by arranging that each member of the comity of nations should have its own central banking reserve. This reserve should contain notes, gold, wheat, coal and various other basic commodities, so that as the result of intelligent and concerted adjustment, it should never again be possible for a Power to get a monopoly or approximate control of the Goods Tickets of the world. For each country would have its currency both internally and externally on the only sound backing that there is, *i.e.*, actual Goods. This, we may suggest, is the real truth behind the ideas of the late

Major C. B. Phipson, the New York Legal Tender League, and Professor Irving Fisher to-day, in their advocacy of currency based on wheat, land or the Index number of prices respectively, with which we may also compare the labour-units theory as another similar basic standard.

In Major Douglas' last paragraph we are brought up against the Morgan Pool once more. Bearing in mind that one American financier stated that the Debt was " worth an army corps and should be kept in cold storage against us," that their coal exporters, manufacturers and their financiers under the present fallacies of gold are all voluntarily or compulsorily pledged* to smash our predominance as " the world's workshop and banking centre," and that up to " twenty per cent. of our population will have to emigrate or starve " it is time we grasped that we are so far fighting a losing battle and heading for inevitable and ultimate defeat. In Douglasism, however, we have a remedy not merely to restore ourselves, but one that will give us back our hegemony based on our cultural superiority, and release the human race into the ordered progress of independent and non-competing communities.

Ten years ago, the British Army held the critical flank against the attempt of Germany to impose fetters of blood and iron upon the human race. The first overwhelming rush of the enemy nearly succeeded, but in our historic mission as the only power which in turn has baffled and broken the tyrannic empires of Spain, Louis XIV., Napoleon and Kaiserism, we stood fast until the armed intellect of humanity realized the issues and rallied to its own rescue. To-day, once more, as always on the flank of destiny, we are bidden to a contest with the Morgan Pool seeking to put shackles of gold upon the world, until in a few short years their hurt and rankling drive men again in desperation to the shambles of war, in revolt from the slow suicide of peace. Disarmament was never more dangerous than to-day. In the past (in effect) the guns of the British Fleet have been prostituted to dun non-Aryan debtors, defaulting from the bonds and bondage of our own

* v. App. 12. † 1814 medal: The Deliverance of England.

financiers, and we have no warrant for assuming that there is a higher code reserved for us, when under the dominion of the dollar we must either fight or starve. War and its approach have largely the significance of pain. The weak-minded sentimentalist would be better employed in removing the cause of war, than in attempting to disarm those whose higher ideals would simply leave them at the mercy of the calculating realist, who thus has no check upon his designs. Pain in Nature is a signal that some underlying mischief must be remedied. The professed pacifist insists on drugging the pain instead of diagnosing and removing its cause, for except as a false philosophy conditioned by falser origins no man will proclaim a faith that War is the portion of humanity. It may have been once, but its occupation now is one that cripples its believers in a more vital conflict to-day, that in which survival and success are secured by biological and psychological strategy.

7. The Foreign Exchanges.

What, therefore, are the relevant factors in the present contest for our economic independence? Clearly one of them is the exchanges, and here we must distinguish between a permanent and temporary aspect. In the long run, inevitably, the exchange should reflect the producing power of a country. In other words, the wealthier the country, the better its "rate of exchange," as its superior purchasing power is set against that of other countries. On the other hand, temporarily, by the process of selling the attacked currency forward—as done with the francs by pro-German financiers in March, 1924—the exchange may be depressed to an extent that would be tremendously serious to the country affected. Even this, however, in a space of a few weeks would appear as a double-edged weapon. If the pound were so depressed that we could not buy from the U.S.A., the latter's manufacturers would find *their* markets and pockets affected, and the wedge would have penetrated between them and the financiers. Accordingly, no realist view of the situation must ignore the prospects of a yet more definite financial attack upon ourselves by the

Morgan Pool, as soon as there is any hint of our applying Douglasism. Indeed, a fair case might be made out that even our money mandarins grasp this, and have attempted to get away from American dollar domination, but have failed to do so, either because they do not understand the elements of currency or comprehend that they cannot checkmate Morgan without abdicating themselves. Howbeit, with the advent of Douglasism, it is clear that any overt action of this nature from another country, and increasingly so as people begin to understand* "the forward exchanges," would be an act of the gravest importance, and would therefore be within the presumed orbit of relations between Downing Street and Washington. It would also at the same time lead to a cleavage of real interest—not yet now apparent—between the great American people and their financiers. Confining ourselves, however, to ordinary economic relations, what would actually happen? Without even assuming a (temporary) State International Transfer Commission to co-ordinate our financial defence, all that would be necessary would be to let matters take their normal course. Selling forward sterling cheap is simply ruinous to the speculator, if he has to purchase them at the spot price, which is clearly subject to supply and demand. But the increased British currency will only be set against actually increased goods. Thus there will be no increased British credit and currency available on the international exchanges to depress its value, as the result of an increased supply and no increased demand. We have only to take the case of Germany (see *New Age*, August 7th) to see what happened when German marks were quoted at ridiculous figures. Because some pious financier *prices* marks at a low figure, it does not follow that they can be *bought* at that rate. One of the ways in which the "franc" was "beared" in the U.S.A. was simply by people ringing up and quoting a ridiculous price, for once again in all currency questions we get back to psychology. "In war," said Napoleon, "the moral forces are to the physical as

* *Vide* Mr. J. M. Keynes *Monetary Reform* which is invaluable on this question.

four to three." In finance the psychological forces are as ten to one, we may fairly put it. Hence, of course, as fast as the international currency-rigger wrote down the mark, at the same speed the devoted Teuton wrote up the export price of his commodities, so that we got German goods here at a cost just sufficiently low to induce us to buy from them, as against our own manufacturers. If a disarmed and un-Douglasized Germany could pluck this rare and refreshing fruit from the dry tree, what can we not garner from the green tree of the knowledge of financial good and evil? For it must be remembered that, working with the Factor of Increment, the export price can be made into something that (without hurting the home consumer supported by a tremendous increase in general production, a home food supply and imperial resources) can force itself into export markets—not because as now under our fallacies, we depend upon these markets for our economic unity, but because the peoples of the earth will perceive that we can sell to them much more cheaply than their own manufacturers under the prevalence of credit exploitation. Hence, imports being set against exports, the prevailing balance is added to or subtracted from national Production, and a Just Price mediated accordingly, with appropriate adjustment for tariff or other purposes. Big crop, metal and other movements would be handled as during the War, *e.g.*, in the Wheat Commission buying for the whole country—and then turning it over to the Cartels viâ the Industrial Chamber and its ministry.

At the same time, however, there are one or two other factors we must bear in mind. Some time ago the writer was informed by an able business man that he had foreseen the Wheat Gamble, and acted accordingly as early as last April, for as soon as the obscurity in the Sugar position was cleared up it was obvious, he said, that Wheat was the only weak spot available for the financier. Though it is not easy to arrive at the exact facts, it seems clear that the Armour interests, linked with the Morgan Pool* have been implicated in this last ramp. So that when one remembers

* *Vide* Appendix 8, p. 248.

that they have a tremendous hold on the farmers' banks, and therefore know when to squeeze the farmer for his pork or grain, there seems little doubt that they would not shrink from it as a weapon against ourselves. Probably the immediate aim of the Wheat Ramp was to rush in early supplies to Germany as part of the Dawes Report policy, though we throw this out as a purely tentative suggestion. At all events, in the impending struggle, Canadian wheat as well as South African gold (half the world's total output) are likely to play a vital part. Once again, therefore, Canada is a vital spot, and hence swarms of American reporters were studying the crops there a few weeks back to keep Chicago posted in its marketing policy. Incidentally, if the financiers of the U.S.A. continue to develop their hold on Canada, will they some day expect the American Army to march due North to Ruhralize and regulate their interest payments? Of 2,289,000 owner and tenant farmers in the U.S.A. 26 per cent. have been ruined by Finance (*Forward*, August 2nd), which realizes that no despotism can be adequate without a grip on food supplies. Their own kindred have they not spared: will they spare us and ours?

Though, therefore, the Dawes Report should be at once recognized in its true bearings and denounced, and Germany and France invited to meet their own internal difficulties by adequate currency reform, and then join us against the common foe of Morganism, we must not forget that in America itself revolt against financial disorder and incompetence is beginning to show itself. The Teapot Dome scandal is, we realize, simply the exposure of the Standard Oil Company's appalling hold not merely on finance, but actually upon both of the large political parties. And, we must again remind the reader, Standard Oil is in the Morganatic control—oil the immediate fuel for modern warfare. Are these things a mere irrelevant coincidence? Such a suggestion can only be an unpardonable insult to the intelligence of the Morgan Pool, libating the oil of gladness on the heads and palms of the world's supreme example of a "Business Government." At the same time,

that £800,000,000 of gold is beginning to awaken interest in the States, and no doubt one of the reasons why the Pool is keen on the Dawes Report is to get as much gold out of the country as possible, providing it still remains in the control of "the right people." In many respects, America's difficulties are far greater than our own. She has a lower level in her Press, and the average citizen with a hyphenated thirst is all the more bibulous of organized publicity, which exploits him mercilessly. Possibly this accounts for the success of the Irish blend in the States. Their genius for bamboozling must have a scope among the unsophisticated that it probably would not find in a West European people. When, however, the red-blooded, honest-to-God, overproof, asbestos lined, hundred per cent. American does wake up and discover how he has been fooled, even by the way the money pool has been recently immobilizing his gold, there should be some interesting events. As between ridicule and robbery, he prefers the latter. He has had both.

As regards the financiers, normally speaking, they do not desire war, and it will probably be found that when our neutrality was in the balance in 1914, the money lords were in favour of peace rather than honour. Much of the present talk, indeed, about the horrors of war may be merely tendencious, as encouraging people to accept the discomfort and slavery of High Finance as something better than armed conflict, and indeed the only alternative to "Bolshevism." But it would be unjust to describe the financiers as mere misers hugging their toil-worn gains and fearful of the slightest loss. On the contrary, they are cheerful givers, and indeed it would go ill with economic error, if it were not buttressed in choice and suitable pulpits by the bullion of the oligarchs of finance. But they will not abdicate voluntarily from their arrogated rule.

When that great prince and greater criminal Lorenzo de Medici lay dying, oppressed by the weight of his misdeeds, he summoned Savonarola to shrive his soul. The stern and apocalyptic prior came with reluctance, but offered absolution upon three conditions. Lorenzo asked what they were. First, "You must repent and feel true

faith in God's mercy." Lorenzo accepted. Then, "You must give up your ill-gotten wealth." Lorenzo lay in silence for some moments, but gave his promise to do so. But on hearing the third clause, "You must restore the liberties of Florence," the prince turned his face to the wall and made no answer. Savonarola waited a few moments and then came away. And Lorenzo de Medici went to his God, "unhousel'd, disappointed, unaneal'd."

CHAPTER VIII.

SCIENCE AND SOUL.

The nations are renewed from the bottom, not from the top; the genius which springs up from the ranks of unknown men, is the genius which renews the youth and energy of the people. Everything I know about History, every bit of experience and observation that has contributed to my thought, has confirmed me in the conviction that the real wisdom of human life is compounded out of the experiences of ordinary men. The utility, the vitality, the fruitage of life does not come from the top to the bottom; it comes, like the natural growth of a great tree, from the soil, up through the trunk into the branches to the foliage and the fruit. The great struggling unknown masses of the men who are at the base of everything are the dynamic force that is lifting the levels of society. A nation is as great, and only as great, as her rank and file.

WOODROW WILSON.

But this is a people robbed and spoiled: they are all of them snared in holes and they are hid in prison houses: they are for a prey and none delivereth: for a spoil and none saith "Restore." Who is there among you that will give ear to this? that will hearken and hear for the time to come?

ISAIAH.

So far we have attempted to suggest the more obvious methods of defence and lines of alignment in the impending struggle: for indeed all progress is conflict, and can never be anything else. It is pointed out by Professor Gilbert Murray that, "on the whole the races that have come to the top in civilization and which have produced the greatest contribution to the nobler life of mankind are pugnacious races." Yet we must not therefore fall into the error of either the native, or our own home-bred Prussian in thinking that pugnacity connotes militarism. There were pious Tories in this country who yearned for conscription as much to enslave their own countrymen, as to knock out intruding missionaries from their own spiritual

home in the Baltic marshes. Once eugenic, War is now definitely dysgenic, while only a politically unsophisticated people like the Germans—except under the sleepless threat of invasion—could tolerate the red tape bureaucratic incompetence and red flannel millinery of a millennium of militarism. Which is obviously more "the fighting race"? the German with the mild and ordered virtues of a Socialist, levercratic or militarist commonwealth, or the Australian or Canadian with the old-fashioned idea that government is to take its orders from the governed, and that its only title to tenure is success and superiority? This is, of course, perilous doctrine for the weak, for whom indeed it is not intended. To the strong, however, it involves such a release of power, that starting with it, in ten years Cromwell was well on to a dictatorship of Europe, admonishing the Pope that if he did not behave himself he should hear the thunder of the English guns in his castle of S. Angelo. In point of fact, it is far more difficult to put "guts" into the servile, than for the superior material to acquire the appropriate discipline and co-operation necessary for the success of any undertaking, from a war to a whist-drive. This must be carefully distinguished, however, from what is called "the team-spirit in industry," whereby the meaner-minded capitalist retains the booty for himself and his shareholders, while moving a hearty vote of thanks at the annual meeting to all his staff, whose lower wages enable him to work on a smaller margin of profit and cut against a rival combine. We may note, too, that a winter social and a summer picnic each at half-a-crown per head are, even together, very much cheaper, for a wealthy firm, than such a sum as increment on every hireling's weekly wage.

Hence, therefore, a persistence to-day in War as a policy—though inevitable in our present distresses as the proletariat clamour "Give War in our Time, O Lord!"—is a ghastly error, for in these days we must fight with brains rather than with blood. It has not been necessary to kill off the Red Indian. The diseases of civilization suffice, and if there are ordered commonwealths of the superior races,

the Yellow Peril will be almost as extinct as yellow fever. The white man's tuberculosis is as deadly as his Testament, for " in Polynesia as soon as the trader brings his clothes and the missionary insists on his converts wearing them and attending crowded churches and schools, the work of extermination begins " (Archdall Reid, *The Laws of Heredity*, p. 280). In point of fact just as the Aryan race and culture have degenerated in India, so the Pacific social system cannot absorb our European ideas neat, and it is probable that, with the balance shifting through the control of Nature or the lapsing of racial factors, there are certain areas of the world where the white is bound to dominate, and others where he will infallibly decay. But there are intermediate areas such as California, South Africa and Australia, where under the present fallacies of Finance the superior white cannot meet either the heathen Chinee or the Fabianized Hindoo as a hewer of wood and drawer of water. If we fight the inferior races on that level we are lost. If we face them on the field of our superiority as scientific producers, with all the resources of modern machinery distributed by a Douglasized currency, militarily we can hold them at bay until we have filled up these strategic areas. But every day as the superior racial strains in the Anglo-Saxon civilizations are becoming numerically, economically and politically weaker under the Bondage of Gold, their imperial policies of the past have set inferior peoples in the East pressing upon territorial limits no longer sufficient, so that we are met with a diminishing force attempting to control an increasing one. With the present trend, the issue is fatally apparent. For the problem is growing daily in gravity. Quite recently, for example, Sir John Grice, the Chairman of the National Bank of Australasia, pointed out that London was controlling their funds, that the municipalities and Governments of the Commonwealth are continuously borrowing, and that there was consequently a shortage of currency affecting their trade and consequent expansion. For the Notes Board, *despite the representations of the banks*, refused to allow any development of the Note Issue.

There we have once again *ad nauseam* the Note Issue independent of and uncontrolled by the people, thus enabling the financier to hold a continent in fee. Of course in 1914, faced with the consequences of its own disastrous folly, the Bank of England soon scurried to the State, as in 1847, 1857 and 1866, and got Notes to relieve the situation but its " brethren in their sorrow overseas " are not prepared to release notes to facilitate the community's commercial interests. And yet, given the prospect of a life of increasing expansion, there is no reason why as an Empire we should not enter upon a tremendous era of colonization. This will not be done, as is subtly hinted at present, by offering the submerged in this country " emigrate or starve." It is to be done by Douglasizing our economic system, encouraging the better strains to breed, and bringing up a generation with the ideas of freedom and adventure that will lead them naturally to think imperially and colonize imperially.

At the moment the U.S.A. seems more alive than ourselves to the racial perils of the next few years, but the connexion between this question and the financial impasse does not seem as yet to be fully grasped. In Europe probably 40 per cent. of the population are on a mere subsistence level, while the middle classes, whose culture was only founded on the leisure of wealth, are progressively disappearing. Hence, whereas in the past the Englishman by his superior wealth was able to travel in greater numbers than any other people, and thus enrich his mind and maintain his European prestige, to-day it is the American who is gradually usurping our world status, though his educational and cultural system is deficient, owing to the uncivilized idea that business is the important thing in life. With the expected acceleration, however, in the further collapse of outside purchasing power, the reprieve of the American middle classes will only be a brief one. Yet, before then, unless they discard their dollar despots, the white races may be in another internecine struggle, even on the eve of a gigantic fight between ourselves and the lower races for the unoccupied areas of the earth.

This question of race and culture we are prone to treat far too lightly in this country. Undoubtedly in the past "national character" has been overworked as an explanation by historians, but the subject seems to be one in which, as in other cases, further research shows a scientific basis for what an earlier survey would mistakenly dismiss as mere superstition. It has been said that there are to-day three powers in the world fighting for its domination—high Finance, the Jew, and Romanism. Nor do these exclude the racial factor, though it appears more subtly than in the colour question. At all events the English attitude of tolerant amusement towards the Ku Klux Klan, the Orangeman and the Anglo-Indian is illogical, when one reflects that in the same circumstances as theirs the Englishman would react similarly as the inevitable symptom of his racial superiority.

It is remarkable how the Jew is implicated in finance and all the luxury occupations. This is a vitally serious question. If civilization is to consist of a society of producers with leisure, then the Anglo-Saxon genius for creative activity, inherited from the Nordic strain, will gain a stronger hold on the world by virtue of its aptitude for the masculine and imperial occupations of government, mining, engineering, agriculture, sea-faring, hunting, sport and exploration. If, however, we are lapsing into a community of a rich few, gorged with the booty of the globe, while the rest of the world is sunk in poverty, we cannot compete with the Jew and kindred Gentile types as a thimble-rigger of finance, a producer of shows and pageants, the art dealer, the purveyor of luxury and the essential student of and provider for all human weaknesses. Every year sees their aggression, whether in a Greco-Armenian syndicate running a combine of continental casinos or the flaunting of Argentinian loot in Europe. The Anglo-Saxon must master the secrets of finance or his days are numbered.*

* Much of the current hostility to the Jews, however, arises as much from competitive jealousy as philosophic superiority. Though like continental Freemasonry, the Jewish question there is bound up with Finance, yet at all events intellectually it is less poisonous than its

Though Christianity was not absorbed by Judaism, its arrival among a population, in which two men out of every three were slaves, meant infallibly that it was soon converted into a system, that however wonderful as doctrine and discipline for the weak and servile, was utterly alien from the genius of classical Athens or republican Rome, whose ruling classes were dominated by *Homo Europæus*, the northern, fair, long headed type of tall stature. It is, too, a curious fact that a definite correspondence can be traced in the historic period between Protestantism and the racially superior Nordic type, which forms the basis of the Anglo-Saxon strain. Here, inevitably, we are touching issues that are vital in the extreme to ourselves, for they bring us to the inmost secrets of imperial greatness and decay. Omitting the more obvious case of Spain with the finest commercial situation in the world, let us consider France. It would not be unfair to suggest that, when Louis XIV. revoked the Edict of Nantes, he equally signed the Capitulation of Sedan in 1870 and risked the downfall of France in 1914. Yet when we reflect that as a result of his persecuting folly Normandy alone lost 200,000 Protestants to Prussia, while hundreds fled to England and Holland, it is easy to calculate something of what that policy must have cost his country, in sacrificing the potential source of so much individualism and science. Or

opposition by ecclesiastical obscurantism. On the other hand, Jewry during the last hundred years may have been valuable as a clearing and distributing house for European ideas—though not comparable in this to the mediæval Church. Its fertilising effect in our own country may be directly biological as well as indirectly intellectual, for one has heard the statement that there is usually a Jewish strain in genius, even in this country. As regards their addiction to Finance, one may recall that for hundreds of years they were forbidden almost all other occupations, a vital factor when one remembers the effect of the transmission of acquired characteristics Experiments have been made recently in teaching mice, who were fed once a day, on each occasion an electric bell ringing for the signal. The first mice required 300 lessons to grasp the meaning of the bell, whereas the second generation learned in a 100 lessons, the third in 30 and the fourth in 5 We have not yet reached a stable synthesis between Nature and Nurture, but in a question like Finance, undoubtedly the Jew has a general and unquestioned flair. Even among the poorest retailers, there tends to be a deliberate trading upon the capital of their wholesaler or manufacturer, wherever the chance is presented. On the other hand, however, the Hebraic instinct for Finance might perhaps be analysed as simply a passion for "reality," in the sense that money is a more final power than politics.

let us take the question of clerical celibacy. It has been computed that, of the names in the British Dictionary of National Biography since the sixteenth century, over 50 per cent. are the sons or daughters of clergymen or ministers, such individuals considerably outnumbering the children there represented of lawyers, doctors and Army officers all put together. When one considers that for nearly four hundred years France, Italy, Spain, Belgium, and much of Ireland have, in effect, taken two of the strongest instincts in human nature—religion and sex—and been unable to reconcile them in eugenic practice, we can begin to see the racial peril of Romanism to civilization. We are familiar, for example, with the famous Juke family which in 150 years produced 1,200 people of every grade of traceable dysgenic taint, including half the women as prostitutes, 130 of both sexes as criminals, while only 20 ever learnt a trade, ten of these acquiring it in prison. On the other hand from Rev. Jonathan Edwards, a Puritan minister, of 1,394 descendants, 1,295 were college graduates, 78 heads of colleges or professors, 60 physicians, 100 clergymen and 75 officers and 210 lawyers, judges and politicians, etc. It is almost a historical platitude that John Wesley saved this country from the French Revolution, though it is not generally realized as well that America may owe more of its ethos to Wesley, who has founded the largest Protestant Church in the world, than to any other one man, quite apart from accepting Roosevelt's statement that he always found a Methodist audience the most typically American of any he ever addressed. Again, the debt of the British Empire and the Anglo-American community to Cecil Rhodes is an overwhelming one, and if as all thinking men must admit the future of the world lies in the hands of the Great Republic of the West and ourselves, it is difficult to over-estimate the services of Wesley and Rhodes, who like Nelson, Tennyson, Hazlitt, Coleridge and Matthew Arnold were the sons of clergymen or ministers, as have been Emerson, Nietzsche and Woodrow Wilson. In the Great War, the man who, pre-eminently, sat down

* *Sunday Chronicle*, March 16th, 1924.

and smashed the German Navy years before a shot was fired, was Lord Fisher, descended directly from four parsons in five generations, while Lord Moulton who ultimately co-ordinated the whole chemical and explosive policy of the Allies—one of the few supreme achievements of the struggle—was a son as well as a grandson of the manse.*

Dr. Leighton Parkes, Rector of St. Bartholemew's Episcopal Church, New York, as cited by Major Douglas in his *Control and Distribution of Production*, stated that "the Roman Catholic Hierarchy in this country (U.S.A.) desires nothing more than to bring about a war with England, not only on account of the ancient grudge, but because England is the great Protestant country of Europe as we are in the Western Hemisphere." This is a statement that no realist student would cavil at, when attempting to appraise the drift of forces to-day, for the great world religions of Romanism and Mohammedanism

* On the other hand, we may notice that the clerical profession also produces more idiots than any other class, a fact which may be interpreted in several ways. At all events, however, the vital issues involved in questions such as these cannot be too carefully studied, and it is interesting to note how the Nordic type has instinctively tended to a sound policy in them. Apart from the positive check by religious persecutions, the whole mental standard of Europe must have been held back for centuries by the negative policy of clerical celibacy—until with the advent of the Reformation, the Roman Church definitely handed over the leadership of civilization to the more virile nations. Recently, for instance, intelligence tests were applied in the American Army and it was found that the Scots and English by origin were the head of the list. The order of the remainder was Dutch, German, American (white), Danish, Canadian, Swedish, Norwegian, Belgian, Irish, Austrian, Turkish, Greek, Russian, Italian, Polish and American (negro). ("Old and Crusted," *New Age*, Sept. 18th, 1924.) Or we may compare the two countries, Ireland and Scotland. Once Ireland had a dazzling civilization of her own and from these two lands, similar in size, fertility and number of inhabitants, thousands have gone forth to make their way in more favoured countries. In an English town, where is the Irish quarter and where the Scottish? Of the two peoples, which is it that seems almost to have a pre-emption on the majority of offices of emolument and power in the British Empire? Incidentally in view of an imposed celibacy, its adherents must be either sub-normal or clearly compelled to stunt or cripple their nature. Hence whether from psychological deficiency or frustrated "complex," such a body cannot be expected to deal justly with ordinary human nature. Its mental attitude, however, is to a great extent found also in a sect of the Anglican Church, both bodies of course drawing constantly from Nonconformity adherents of similar type and temperament. In the last analysis, probably the whole question is one for psychological solution, any merely theological discussion being purely secondary and quite inconclusive.

are the negation of the individual, who is the apotheosis of the ideal of Western civilization. Hence, of course, the understanding between the Kaiser (*L'état c'est moi*) and the Pope (*le Dieu c'est moi*), and their deal many years ago, whereby the German Romanist Party enabled the Fleet Law to be passed through the Reichstag. Those, therefore, who thought that, if the obligations of honour obliged Britain to defend Belgium, the Voice of God should have thundered from the Chair of St. Peter and summoned the armed conscience of Mankind to avenge the crime, were much mistaken in thinking that we can prescribe policies for Providence. Given its postulates, it was the duty of the Vatican to do everything to smash the Allies, without forfeiting its hold upon the faithful few even in the camp of the enemy, and whether we take its public encyclicals or private intrigues, we have no reason to suspect incompetence, even if we cannot felicitate it upon success. Nor was the question merely of more general interest, for during the last war half of the military intrigues of France were bound up in balancing between strategists who were "bons républicans" and those who were "Capucins bottés." Fortunately in this country we suffer neither from priestcraft nor anti-clericalism, and provided his accredited spiritual shepherd is not too violently beneath the moral as well as the intellectual standard of his flock, the layman is prepared to tolerate him, while there is no political aspect of any importance in the problem. On the other hand, it is, of course, the secret of the Irish question, which would quite possibly be best settled by according independence to the Southern portion of the island, de-nationalising its inhabitants (with the option of naturalisation for those in this country), and leaving it to stew in its own juice of baffled fury at having asked for the moon, got it and found it was of green cheese—the national hue with a consequent cry. When the Nonconformist conscience, confusing political with private morality, helped to smash the Protestant Parnell, it led to the drift of Southern Ireland to moonstruck and mediæval Republicanism, based more on hatred of us than love of

freedom. The result is that to-day the Irish factor in U.S.A. politics is a tremendous force in the Wall Street policy of Finance, whether directed to gain Canada or, possibly later, a more than economic footing in Southern Ireland. With Ulster on the North, we should be, in the event of separation, militarily protected against their deeds as well as intentions, and economically should be able to insist upon their payment for all future supplies of "cake" from ourselves. With the dogma and doctrine of Romanism, as with that of any other Church, the British Empire is not concerned. If the Underman, whether in the East or West, adopts a faith suitably constructed for himself and demanding the abdication of the Individual, he is at liberty to do so. On the other hand, because football is an unsuitable occupation for an infant or an old lady, these are not logically entitled to attempt jealously to degrade the rest of society to their own level, and thereby cripple the mind and physique of the more vital members of the commonwealth. But though religion is the life of the soul, and not necessarily the death of the intellect, it yet depends upon and springs largely out of economic conditions. The great leaders of the world have come mainly from those classes which have had sufficient material comfort to enable them to have liberty and scope to think, and if their followers have ever been slaves, they have had to make them free first, before these in turn could lead others.

Hence to-day the drift towards Control and yet more Control, whether in things temporal or in things eternal, towards Morganism, Semiticism and Romanism is a dangerous one, even though one may admit that in the perfecting of any new weapon or technique in civilization, it must first be centralized for its development. This is true, but it must equally be decentralized for control, and just as one set of achievements in iron and steam have built the overbloated cities, their successors in electricity and wireless permit us to return to the soil, for whether in rates and taxes or time wasted in travelling or sheer strain, Man is being slain by the City. Yet the machine

of civilization grows more complicated every day. If we have to spend six hours a day merely in stoking and only two in direction, the inevitable consequence is only a matter of time, when it demands, as it soon will, a full eight in maintenance alone.

But, it may be urged, Man is not fit for a civilization of leisure, to which we answer that he must be made fit, for we cannot accept a merely slave psychology of " if a man will not work, neither shall he eat." Quite possibly, the Nordic race has needed thousands of years of work and discipline to develop it. But now in the higher stocks there is such an acquired instinct for creative and self-expressive activity, that there is no fear of a general lapse into an idle life of the bananas and barbarism of the Tropics. The terms of the problem to-day being " leisure," the policy of " work " is as foolish as a beaten team coming off the stricken field and explaining that they had played on a dry wicket a really wonderful game, that would have given them a smashing victory on a wet day. Adaptation and the ability to improvise are as much a matter of racial genius and heredity as other and more obvious factors. We nearly lost the war over the peasant strategy of piling up men for blind straightforward killing, instead of the science and soul of the genius of Foch. And yet even Foch is reported to have underrated and contemned aeroplanes.

In the past it seems indisputable that ruling classes have endeavoured to maintain their position as much by degrading the rest of the people as developing themselves, and though we are familiar with the decadence and downfall of historic empires in the past, we do not realize that we are facing the same problems to-day. The genius of England's strength has been for centuries that family stocks have moved up and down the social scale, whereas an attempt to create a small and permanent oligarchical body spells ruin in a few generations, by reason of inevitable decline of fertility from too high a scale of living, and a corresponding fall in the quality of descendants, through inbreeding. Incidentally, this may well explain the collapse of ruling European financiers, whose inbreeding

may have left them finally incapable of battling with the fresher brains of America. On the other hand, the policy of narrowness, with, however, the special co-opting of some heaven sent dictator is typical of a weak society shouting "Save us from ourselves!" while the "clogs to clogs in three generations" is characteristic of unstable breeding strains, which have produced one sudden genius among many sterling duds. Accordingly in the 1914 court of the Hohenzollern we get a Byzantinism that would require a Suetonius to depict, while in Russia the reins of power were ultimately in the hands of a sexual lunatic, who should never have been outside the bars of an asylum or the pages of Freud. Equally, various transpontine murder trials of the last twenty years remind us that decadence is not a monopoly even of monarchies. With therefore the present trend of Finance, we may look in time for half a dozen areas in the world where its exploiters, financially select but racially intermixed, will infallibly reproduce the symptoms progressively of all declining societies. Sooner or later, the vigour of barbarian freemen, possibly of a different hue, breaks in upon them and their enslaved hordes and they collapse in "dust and ashes, dead and done with," until a second Gibbon with a meditative pig-tail sits down in two thousand years to record "*The Decline and Fall of the British Empire*," and cough his philosophic gutterals into a dictaphone, for publication in fortnightly parts among the normal ration of Blue Books compulsory for all, except the officials of his Mongol State.

And yet, with the advent of Douglasism, as pointed out by Major A. E. Powell in his *Deadlock in Finance*, the transition period from the present to the larger era will have to be managed carefully. There is work for probably a couple of years in an organized building program and the duplication of an inadequate road and rail transport system, largely what it was fifty years ago, while the immediate and adequate pensioning of widows and the aged may be swiftly carried out. A sane educational system demands the immediate expenditure of probably £50,000,000. Outside Philistia we do not stint our

schoolmasters and squander on publicity merchants, though as yet it is strange doctrine for the uneducated, that the man is greater than the machine or the building in Teaching. There is no reason why 90 per cent. of the population should not receive a secondary education till the age of 18. After that, two or three years voluntary service for the boys in a British Army run on aristocratic and public school lines (with everybody starting in the ranks, the whole officered by the sole title of superiority instead of that of a modicum of ability *plus* a sufficiency of cash), would be a thorough grounding in practical knowledge and human contacts. In addition, a policy of interchanging professors and schoolmasters for brief terms between nations in the Empire and also of encouraging annual Imperial Games should also be carried out. Possibly in the past one of the chief attractions of war has been that it was then comparatively clean, and there was no adequate technique in sports to compete for interest. After say three to six months in ordinary military discipline, the rest of the time could be spent in two periods of rough engineering or contract work in places like Canada, Australia, Africa or India. There much of the "settling" required for imperial development could be well done under conditions ideal for healthy youth in congenial company, receiving adequate pay with the certainty that they had the chance to rise in the Army, or leave in three years' time with an improved training and physique and the opportunity of having seen something of the world. Under a proper financial system, this would be headed off from being cheap labour, and while similarly using the Navy as an imperial bond, it would pave the way for a voluntary and progressive policy of emigration and of developing the British Empire as a real League of Nations by evolution, instead of a bastard and imperfect body destined for a means of tyranny by the bondholders of the world. Just therefore as self-conscious development is the highest achievement of the individual, the Empire founded in a fit of abstraction may become equally a self-directive organism, based definitely and directly upon a society of

freemen, in which all have more in common than they have in difference and there is the rule of the best by the choice of the many.

Nor need we fear any immediate bogey of over-population, for given a certain level of comfort the tendency is for fertility to be slowed up, as has been shown by Mr. C. E. Pell in his *Law of Births and Deaths*. It is yet another nemesis of oligarchies, in that they fail to support their numbers or even their sanity, for at one period in the 19th century there was only one crowned head "*compos mentis*" in Europe. And yet by appropriate regimen, it seems probable that the factor of fertility is one by no means completely beyond control while it of course, marches with the sensible policy of solving the social problem by eliminating poverty rather than by attempting to abolish the poor. It is curious to reflect, however, that for the hundreds of people who study dogs, pigeons, horses in their care and upkeep, how few there are engaged in an equivalent interest in the human animal, even when they actually breed their own. There are thousands of "successful men" who have undertaken the relatively easy job of building a business, and been apparently quite content to ignore the more serious problem of bringing up their own children.

Four hundred years ago, when Philip II.'s advisers considered the project of the Panama Canal it was pronounced impious, "Almighty Wisdom having placed an irremovable barrier between the two oceans." It is curious to note how human stupidity deigns to dub itself as divine omniscience, and yet had Spain attempted the task then, Yellow Fever would have been fatal to its success. But even now as the stately ships sail on through the Panama, engineers are busy surveying the possibilities of yet another Pacific-Atlantic canal. To-day civilization is faced with a task in which indeed we are threatened by a Yellow Peril not of Man or of microbe, but of metal.

Thou has conquered thou pale Yellow Metal, the World
has grown grey from thy breath,
We have drunken of things Lethean, and fed on the
fullness of death.

And yet where in the past the isthmus of Gold between consumer and producer could not be cut, to-day its weakness stands plain before our eyes, and we have only to go forward, nothing doubting.

For now not even cowardice can postpone the day of reckoning, as it visibly draws nigh to us. Wherever we turn, we see our economic system weak and crumbling, so that but few remain to assert that it is anything but a mere thing of shreds and patches. There is no hope for our Coal Trade, as America and Germany mobilize under the ægis of international finance to attack the export markets, which once lay at our own mercy. Inevitably, too, Cotton must follow, as our largest export trade finds that other countries no longer have sufficient purchasing power to pay the final cost of manufacture, added to the high price of raw material. It may be that the crucial factor will appear to be cheaper competition from lower levels of labour, but analysed it will be found directly attributable to unsound finance. Owing to a 15 per cent. drop in the world sheep stocks there is an impending shortage of wool though, it must be remembered, restriction of supply is apt to profit an industry at the expense of the consumer. Hence, therefore, whether in food or clothing, there is danger of deprivation (particularly in wheat, sugar and meat), though there are thousands of acres where crops and cattle can be carried, but have had to be set idle, merely as the result of financial sabotage. In the event, therefore, of civil tumult and disorder, should Western peoples be goaded into direct action, the possibilities of famine must be faced. But, say the superficial, the World's wealth has increased enormously as the result of the Industrial Revolution, forgetting that increase in Power is not necessarily Progress. If a community is equipped with armaments or machinery these may be used either to level up all or, by monopoly, enable a Few completely to enslave the Many. Thus it was calculated that in 1850 the wealth of the U.S.A. was $8,000,000,000 of which the producers took 62 per cent., non-producers 38 per cent. As it doubled by 1860, the producers' portion had fallen to 43 per cent.,

while non-producers ran to 57 per cent. By 1870 it was $30,000,000,000, the respective shares being now 33 per cent. and 67 per cent., until by 1900 along the same lines, out of the natural wealth of $100,000,000,000 the producers only had 10 per cent. and the non-producers 90 per cent. (Flürscheim, *Clue to the Economic Labyrinth*). To those who foolishly attempt to deny that the rich have grown richer and the poor poorer, and point out that to-day there are cinemas, medical advantages, etc., available to all, yet once beyond the rich, we would point out that the sole criterion is the level of subsistence. If that includes spats or silk stockings, they will be provided for the mass of the people. Beyond that, there is not the margin for saving, and there is no longer the same opportunity for each man to become his own master, for society at present employs only a few real producers, enormous numbers now being actually idle or engaged in occupations better abolished, instead of their being permitted to produce peace and plenty for themselves.

Socially, too, we find finance is the real secret of most of our difficulties. Recently the *Daily News*, for example, conducted a symposium on why various of its readers were unmarried. Of 1,664 reasons cited nearly 70 per cent. were purely economic, while of the remainder another 15 per cent. could be traceable to the same root cause. Much of the feminist question is due to a civilization which, by degrading thousands of its men into Robots of the pen and counter, and then undercutting them with women's cheaper labour, upsets that mental and biological balance between the sexes necessary to a healthy community. Imagine the positive harm and negative loss to the State from two such factors as the above, acting directly on its chief and final wealth—the people. How much of the crime that we find is due to economic causes? Men, whom pre-war commerce pronounced fit only for pen-pushing or machine-minding, since the war have returned in thousands from their Odyssies of heroism to mere poverty, while the smug and mediocre meanly deplore the "demoralization" of those who have thrown dice with Death, and no longer accept

the servile cant and squalid philosophy of their employers. Inevitably, many such are not now prepared to rot passively and peacefully, as constant crimes in the papers reveal their impossible circumstances. Which have sinned, these men or Society? The greatest sufferers are, however, the middle classes, largely because their snobbish stupidity does not yet permit them to realize that, though their social tastes, aims and sympathies are those of the wealthy, on the other hand their economic interests lie with the disinherited. As for the more common problems of to-day, such as, for example, the maintenance of our hospitals, the provision of Education, the conquest of disease, all of them, even down to the amateur *v.* professional in cricket, can be analysed as very largely financial in root.*

Politically, there is little cause to labour the point. In China a society stabilized for centuries on population-control and internal self-sufficiency, has had its balance upset by the intrusion of Christianity and industrialism, and until settled on to a new synthesis of culture and economics, is a potent threat to the peace of the world: it may be here noted that the Bolsheviks are reported to be viewing Mongolia as the man-shaft to their potential spear-head thrust against Western Europe.† Russia, significantly enough, unlike Germany, has so far escaped the financier, notoriously aware of its teeming wealth, and trusting that its ignorance of sound currency principles might have compelled it to sue for assistance. Though no doubt from the wrong motives, happily a right policy has

	£	s.	d.
* *Education.*—Minimum wage, London teacher (Burnham scale) ...	3	9	3
Policeman (*excluding* boots, uniform and rent)	3	10	0
Tram conductor	4	0	0
Tram driver	4	7	6
Covent Garden porter	5	0	0

Daily News, Oct 22nd, 1924.

60,000 people die annually of heart disease, probably due to rheumatic fever in childhood. It is stated that one of the large hospitals is at present held up for the mere £50,000, necessary for research with a hopeful prospect of eliminating most of these cases.

† *Cf.* Appendix 8 *note* and p 65 *supra*. With China compare Egypt whose present discontents may be traced historically from its financial exploitation during the 19th century.

prevailed in the refusal of a Loan to Russia, as it is a break in the vicious circle of interdependent countries being played off against each other by the financial centre. In Ireland, the Free State faced with possible bankruptcy is almost driven to attempt to include Ulster, while in the Balkans there are the usual symptoms of unrest, just as further East the outlook looms dark and menacing. In Europe there is a quiet but persistent drift towards armaments, not to be discouraged by amazing performances at Geneva, where the British Premier (Rt. Hon. J. Ramsay Macdonald) laid down that the League of Nations should guard the peace against any aggressor, such power being that which refuses arbitration. Mercifully, within a month, his own refusal to accept a House of Commons Inquiry on the Campbell case and his immediate dissolution of Parliament, showed that what was good enough for a European Power was quite inadequate for a Labour Cabinet, and the potential mischief of the League is temporarily quiescent.* In any event, disarmament is not the removal of enmity—if this is based on an inevitable fight for markets, as now, the League is not attacking the real problem. In mere party politics, all we have is the merchandise of false antitheses: "We must export our goods or our population," "Socialism or Imperialism," "Free Trade or Protection"—all half truths and utterly perilous in our present plight.

And yet so wags the world that, even in the most unexpected quarters, one reads pleas for the servitude of Man as the only remedy to avert the dominance of the Machine. In his *Ethics and Some Modern World Problems* p. 226) Professor W. McDougall suggests as the best guarantee for "general disarmament and lasting peace," the arming of a "*Court of International Justice with an exclusive and highly efficient air-force*, (*with*), *at the same time*, (*the suppression*) *by international agreement* (*of*) *all other aerial navigation*." Meeting this almost by accident, and at the close of one's task, one can only recognize it as the Enslavement of Man and the World

* *Daily News*, Oct. 14th, 1924, Mr. L. J. Redgrave Cripps.

Power of Finance. Words like these from one of the greatest living psychologists, and from so distinguished a thinker, might well give pause to the stoutest heart, for what are they in essence but a cry of despair and a message of doom? In their rejection of a gift of potential healing and release, wherein do they differ from the pseudo-Puritan fear of Sex and the Romanist terror at the Intellect? Yet we cannot conquer a crisis by negation. Mankind is ever on the march, and there is no refuge even in the treason of retreat:

For Humanity sweeps onward: where to-day the martyr stands,
On the morrow crouches Judas with the silver in his hands:
Far in front the cross stands ready and the crackling fagots burn,
While the hooting mob of yesterday in silent awe return
To glean up the scattered ashes into History's golden urn.

And so to-day the seamless garment of Truth is rent and ravaged among scores of factions and sects, many striving for blind mastery, where there need be nothing but co-operation and content. And yet when material comfort is assured, we cannot look forward to a mere paradise of idleness. The coming of a higher standard of living itself will, as in the wealthy classes of to-day, reduce the birth-rate, so that racial stocks surviving the selection of past war will undergo the pruning of peace, if they cannot retain their fertility by temperance and fitness, while the vital combative instinct will be maintained by sport and the social selection of marriage.

In the meantime, the forces of the world are constantly shifting, and it may be that there will be no clear-cut issue offered to us before we are flung suddenly into the last War of Western Civilization. Recently a vivid forecast of the impending struggle* was given, in which a handful of men survive the pestilence that walketh in darkness and the destruction that wasteth at noonday from the fiendish cylinders of science, raining fire and brimstone out of heaven

* *Theodore Savage*, by Miss Cicely Hamilton.

upon the cities of the West and all their standing crops. As in years later, the narrator broods over his own escape, he visions the world as carrying an eternal and implacable antithesis between Religion and Science—"Procuress to the lords of Hell."

"How many times—(he would wonder)—how many times since the world began to spin has man, in his eager search for truth, rushed blindly through knowledge to the ruin that means chaos and savagery? How many times, in his devout, instinctive longing to know his own nature and the workings of the Infinite Mind that created him, has he wrought himself weapons that turned to his own destruction? . . . . Ignorance of the powers and forces of nature is a condition of human existence; as necessary to the continued life of the race as the breathing of air or the taking of food into the body. Behind the bench of zealots who judged Galileo lay the dumb race-memory of ruin—ruin, perhaps, many times repeated. They stood, the zealots, for that ignorance which, being interpreted, is life; and Galileo for that knowledge which, being interpreted, is death. . . . . Meanwhile the foundation of the life religious was and must be the timorous virtue of ignorance, of humble avoidance of inquiry into the dreadful secrets of a jealous God . . . .

"Many times, it might be, since the world began to spin, had men called upon the rocks to cover them from the devils their own hands had fashioned; many times, it might be, a remnant had put from it the knowledge it dared not trust itself to wield—that it might not fall upon its own weapons, but live, just live, like the beasts! Behind the injunction to devout ignorance, behind the ecclesiastical hatred of science and distrust of brain, lay more than prejudice and bigotry; the prejudice and bigotry were but superficial and outward workings of instinct and the first law of all, the Law of Self-Preservation.

"With his eyes open to the workings of that law, folk-tale and myth had long become real to him—since he saw them daily in the making. . . . The dragon that wasted a country with its breath—how else should a race

that knew naught of chemistry account for the devilry of gas? And he understood now, why the legend of Icarus was a legend of disaster, and Prometheus, who stole fire from Heaven, was chained to eternity for his daring; he knew, also, why the angel with a flaming sword barred the gate of Eden to those who had tasted of knowledge. . . . The story of the Garden, of the Fall of Man, was no more the legend of his youth; he read it now, with his opened eyes, as a livid and absolute fact. A fact told plainly as symbol could tell it by a race that had put from it all memory of the science whereby it was driven from its ancient paradise, its garden of civilization. . . . How many times since the world began to spin had man mastered the knowledge that should make him like unto God, and turned, in agony of mind and body, from a power synonymous with death?

"And how many times more, he wondered—how many times more?"

FINIS.

APPENDICES.

APPENDIX No. 1.

"The Fabulous 'Forties, 1840-1850."

By Meade Minnigerode.

Reviewed by the Editor of the *Spectator*, May 31st, 1924.

What it was that turned the young gentleman so "queer" in the 'forties is a question which suggests many answers not a little curious. At that same period Britain was hungry and unhappy, but not hysterical:—

The rich preached rights and future days,
And heard no angels scoffing.
The poor died mute, with starving gaze
On corn ships in the offing.

In France they were pouring out their blood on the barricades and demanding to "live working or die fighting." In Italy the land reeled and heaved and swayed under the heel of the Austrians, as the slopes of Etna or Vesuvius shiver when the Titan awakes and stretches his limbs in his fiery dungeon. Even Germany grew uneasy and began to wonder whether, after all, drill and beer, metaphysics and painted china pipes, "Verboten" notices and symphonic music were all that man needed here below. We wonder whether these reactions, psychological, physical, so strange and so various, were not after all fundamentally connected. Shall I be thought a currency crank, and so a creature beyond the pale of human sympathy, if I suggest that a constriction of the media of exchange—*i.e.*, of the rolling-stock of commerce—was the real cause of all this hysteria, comic and tragic? At any rate there is a fact fully germane to this review which suggests that I am right. The book ends with a chapter on the gold diggings, "Ho! for California," and a very interesting chapter it is. The Fabulous 'Forties in America, as the Hungry 'Forties here, and the Bloody 'Forties in France, Italy and Germany, ended with the vast addition to the media

of exchange caused by the new gold washed from the Pactoli of the West. The world, as if by a miracle, grew comparatively sane and prosperous. The 'fifties and 'sixties threw off their woeful weeds and crazy garlands, and began to attend to the more prosaic sides of life. It is true that this new way of life led to many great and tragic happenings, but at any rate the world was no longer sad without sagacity, or frivolous without happiness, as it had been in the 'forties—the epoch of constriction. What a strange fate! How humiliating it seems that man should be sent crazy by a dearth of the circulating medium. What a thing to remember after long years—to remember with tears and laughter. But that may not be all. Can we be sure, as we read, that the inscription below this grinning death's head on the gravestone is not applicable to us: "It was our case yesterday. It will be yours to-morrow"?

J. St. Loe Strachey.

APPENDIX No. 2.

Deposit-creation and Inflation.

Rt. Hon. R. McKenna's Address to Midland Bank.

January 29th, 1920.

I.

What, then, has caused high prices? . . . . If we take the community as a whole we may be quite sure that as spending-power grows the demand for goods grows with it, and as demand grows, prices rise. Here, then, is the first step that we must take to solve our problem: we must find the cause of this increase of spending power. . . . The actual spending-power of the public is gauged by the total amount of currency in circulation added to the total amount of Bank deposits. In 1914 the public spending power was £1,198,000,000: to-day it is £2,693,000,000, an increase

of £1,495,000,000, or 125 per cent. . . . If we take 100 to represent the cost of living in 1914, the corresponding figure to-day would be about 225, or an increase of 125 per cent. . . .

What is the cause of the increase in spending-power, or, in other words, of the increase in currency and Bank Deposits? . . . Let me give a brief illustration of how Bank Deposits are increased by Bank Loans. When a Bank makes a loan to a customer, or allows him an overdraft, in the ordinary course the loan will be drawn upon, or the overdraft will be made by a cheque drawn by the customer upon the Bank and paid into someone's credit at the same or another Bank. The drawer of the cheque will not have reduced any deposit already in existence, because we are supposing a case in which he has been given a loan or allowed an overdraft. The receiver of the cheque, however, when he pays it into his own account, will be credited with its value, and thereby a new deposit will be created. . . . In the same way, when a Bank buys or discounts a bill, the proceeds of the sale are paid into the credit of the seller's account, and increase the total of Bank Deposits: and in the same way also when a Bank buys War Loan, or makes any other investments, the purchase money goes to the credit of somebody's account in some Bank, and increases the total of deposits.

Let us look now at the increase of Bank Deposits since 1914, and see to what extent this increase is due respectively to payments in of additional currency and to Bank Loans. In June, 1914, the Banks held £75,000,000 of currency. Last month (December, 1919) the figure stood at £191,000,000. The Banks therefore held more currency to the amount of £116,000,000 and to this extent the increase in the aggregate of Bank Deposits is accounted for by payment in of currency. But it is estimated that since June, 1914, Bank Deposits have risen by £1,230,000,000. If £116,000,000 of this amount are accounted for by payments of currency into the Banks, there remains £1,114,000,000 which, if the previous analysis be accepted as correct, we must attribute to Bank Loans.

II.

We have seen that during the last six years bank loans have been responsible for £1,100,000,000 in bank deposits. . . . To whom, then have these loans been made? It is impossible to give precise figures, but the best estimate that I can form is that of the total of £1,100,000,000, £800,000,000, including Treasury Bills, have been lent to the State, and £300,000,000 to trade. The Government, under the overwhelming necessity of war-effort, has been the great borrower from the banks. . . . When the Government borrows directly from the banks, or indirectly from the Banks through members of the public, who obtain bank advances to enable them to take up loans, the banks subscribe by drawing on their balances with the Bank of England. The money received by the Government is paid out in due course to meet liabilities to contractors, by whom again it is paid to the credit of their accounts with the banks. The customers' deposits are thus increased, and as the banks in their turn pay the money into their accounts at the Bank of England, the previous withdrawals from that bank are made good. Thus the net effect of the whole proceeding is to increase the total amount of bank deposits by the exact amount which the banks have lent to the Government directly or indirectly, and the whole weight of additional spending power is thrown upon prices.

APPENDIX No. 3.

BAGEHOT ON LOAN CAPITAL (*Lombard Street*, pp. 7, 8).

English trade is carried on upon borrowed capital to an extent of which few foreigners have an idea and none of our ancestors could have conceived. In every district small traders have arisen, who "discount their bills" largely, and with the capital so borrowed, harass and press upon, if they do not eradicate, the old capitalist. (Though he is now being displaced by the joint stock company. H.W.) The new trader has obviously an immense

advantage in the struggle of trade. . . . If a merchant has £50,000, all his own, to gain 10 per cent. on it he must make £5,000 a year, and must charge accordingly: but if another has only £10,000 and borrows £40,000 by discounts (no extreme instance in our modern trade) . . . he has the same capital of £50,000 to use, and can sell much cheaper. If the rate at which he borrows be 5 per cent. he will have to pay £2,000 a year; and if, like the old trader, he makes £5,000 a year, he will still, after paying his interest, obtain £3,000 a year, or 30 per cent. on his own £10,000. As most merchants are content with much less than 30 per cent. he will be able, if he wishes, to forego some of that profit, lower the price of the commodity, and drive the old-fashioned trader—the man who trades on his own capital—out of the market. In modern English business, owing to the certainty of obtaining loans, on discount of bills or otherwise, at a moderate rate of interest, there is a steady bounty on trading with borrowed capital, and a constant discouragement to confine yourself solely or mainly to your own capital. [*H.W.=Mr. Hartley Withers.*]

APPENDIX No. 4.

Deflation.

Rt. Hon. R. McKenna's Address to Midland Bank.

January 28th, 1921.

A declared policy of monetary deflation is a public warning to the trader that he must be prepared to lose on every contract for the future delivery of goods. Owing to the general fall in prices, the market price of goods when he gets them will be lower than at the time when his contract was made. A policy of gradual monetary deflation, but deflation so guarded as not to interfere with production, is a policy impossible of execution. Trade is never good when prices are declining, but the consequence

of a continuous fall in prices entailed by dear money and restriction of credit, and accentuated by heavy taxation, must be complete stagnation of business.

Rt. Hon. R. McKenna's Address to Midland Bank.

January 25*th*, 1923.

In the course of the year, the Government paid off Treasury Bills to an amount of over £300,000,000, of which the banks hold between £100,000,000 and £200,000,000. Here we see a decline in deposits related to a reduction in the Treasury Bills held by the banks. The operation was, in truth, a measure of deflation effected in pursuance of a declared policy, and resulting in a total reduced purchasing power of £200,000,000. . . . The Government found the means to pay off the Treasury Bills partly by the sale of Treasury Bonds and partly out of the surplus of revenue over expenditure. . . . The problem which now confronts us is, what happens if the Government continue to offer Treasury Bonds for the purpose of obtaining funds with which to pay off Treasury Bills held by the banks? We shall deal with the problem more easily if we consider it in relation to a particular case:

Let us suppose that a member of the public who has £10,000 on deposit in his bank ready for investment, applies for that amount of Treasury Bonds. He will draw off his deposit of £10,000 and pay the money into the Bank of England to the credit of the Government. In his own Bank the account will now show £10,000 less on deposit and £10,000 less cash. Next suppose the Government use this money to pay off a Treasury Bill and that the Bill is held by the same bank. Clearly the bank's accounts will then show £10,000 increase in cash and £10,000 reduction in bills. If now we put the two transactions together, the final result of the double operation will be, first, that the bank's deposits and bills will each be reduced by £10,000, and, secondly, that the Government will owe £10,000 on a Treasury Bond instead of £10,000 on a Treasury Bill.

Rt. Hon. R. McKenna's Address to Belfast Chamber of Commerce.

October 24th, 1923.

Deflation was actively continued until three months ago and still nominally stands as our official policy. . . . Our bank deposits to-day show a decline of 10 per cent. This means a severe restriction of purchasing power and a consequent lowering of prices, which is indeed the declared purpose of a deflationary policy. . . . Very little argument is needed to show that a policy of driving or keeping down prices by a restriction of purchasing power must depress trade. . . . If the Merchant or manufacturer thinks that prices are going to fall, he will restrict his orders for finished goods or raw materials. What is the consequence? Men and women are thrown out of employment, less is paid in wages and the amount spent upon consumption is reduced.

APPENDIX No. 5.

Deflation.

I.

Deflation is, shortly, a process by which the internal value of the monetary unit is increased. This means a deliberate raising of the purchasing power of this unit in regard to commodities and services—*i.e., a general and uniform reduction of prices, wages and salaries as measured in terms of the monetary unit.*

The means of effecting such a rise in the value of the monetary unit *is a restriction in the supply of the means of payment and a consequent reduction of the nominal purchasing power of the public.* To this end there are two measures at our disposal, and, in present circumstances both must be applied simultaneously. The first and most general is a restriction of credit, involving a curtailment of the amount of loans and a more stringent selection

between the different demands for loans. But the principal instrument of such a policy is an *abnormally high bank rate calculated to raise other rates of interest correspondingly above what the real scarcity of capital would require,* and thus place an effective brake on all forms of demand for credit.

The restrictions (*i.e., of credit*) must then be so sharp that a stage is reached where the banks *lend less than the actual savings deposited with them, and use the rest to cancel nominal purchasing power.*

Finally, we have to take account of the effects of depreciation on public finance. By the enhancement of the value of money which has taken place during the past year, the real burden of public debt has in many countries been increased to a most serious extent; in some cases so much as to make it very questionable whether the country will be able to bear the burden. In consequence, *a corresponding aggravation of the burden of taxation will have to be faced whereby enterprise and production will, inevitably, be gravely handicapped during a practically unlimited series of years.* The uncertainty whether countries which used to be regarded as first-class debtors will be able in the future to meet their obligations is, of course, a new and very serious influence which operates against that restoration of confidence which we so sorely need. If deflation be carried still further in such countries, there can be no doubt but that their *State finances will break down and public bankruptcy will have to be declared.*

Professor GUSTAV CASSEL,
Memorandum to the Financial Committee of the League of Nations, September, 1921.

II.

Industry's Extremity is Finance's Opportunity.

1920 saw the appalling slump in trade which came as the direct result of the announcement by Mr. Chamberlain that, in accordance with the report of the Cunliffe

Committee, the Government intended to deflate the currency. Immediately business orders were cancelled all over the country, for deflation meant smaller purchasing power in the country to buy goods, and dearer money for the carrying on of industry.

Within three months of the Chancellor's announcement the bank rate was raised to 7 per cent., with the result that thousands of industrial concerns either went bankrupt or struggled along on the verge of bankruptcy, and millions of people were thrown out of work. Yet the profits of the Big Five for 1920 were the highest on record, and the average increase in the market value of their shares was nearly 30 per cent.* Also it is noteworthy that Bank of England shares, which, in October, 1920, stood at 168, in January, 1923, stood at 242. During the same period industrial shares fell enormously in value, while the gilt-edged securities in which the funds of the banks are invested rose in value, investors naturally being afraid to put their money into industrial concerns.

The following figures show this conclusively:—

		Price in October, 1920.	Price in January, 1923.
War Loan	3½%	81⅛ ...	96¾
	4½%	78 ...	95½
	5 %	84⅞ ...	100⅞
	4 %	94¼ ...	102¼
Funding Loan ...		67½ ...	88¼
Victory Bonds ...		73⅜ ...	90¼
Consols		45⅛ ...	56½

In 1857 occurred the panic which resulted in the appointment of a Parliamentary Committee of inquiry into its cause.

In the course of a minority report Edward Cayley declared that "The panic, in fact, has its origin in the bank parlour," and "The rate of interest rises and falls with the ebb and flow of bullion; the dividends of the proprietors of the Bank rise and fall in sympathy with such rate. In the last half of the year 1852 the rate of discount was 2 and 2½ per cent The dividend of that half-year was at the rate of 7 per cent.

* *Cf.* Appendix 9 II., p. 267 and note.

"The last half of 1857 (the panic year) the rate of discount ranged from 5½ to 10 per cent., and the dividend declared in March, 1858, was at the rate of 11 per cent."

There were panics in 1846 and 1866. For the eight years ending 1846, the Bank of England dividends were 7 per cent. per annum. In 1847, in a period of industrial disaster, the rate was 9 per cent. In the latter half of 1865 the dividend was at the rate of 5 per cent. Then came the slump in trade with an increase in the Bank dividend for the first half of 1866 to 5¼ per cent., and later to 6½ per cent. for the half-year.

These figures are only what one would expect, for it is to the interest of bankers that the commodity in which they deal and which nobody can do without, should be dear, while for the smooth running of industry cheap money is desirable.

Mrs. F. CHAMBERS,
Forward, Oct. 25th, 1924.

Note.—At the moment (November, 1924) the reduction of the stamp duty on cheques is being canvassed, with the plea that the increase in cheques will economize "legal tender" at present "remaining loose." In other words, this is an attempt to smash the State's remaining possession and sovereignty in money (*cf. Chart*, p. 44), so that the people will be practically without general and national goods tickets and be compelled to rely on bankers' currency. With State insurance, the dole system, and little or no money we thus have the Servile State, controlled by the few holding the means of distribution.

APPENDIX No. 7.

NATIONALIZATION.

Socialist "First Aid" for Private Enterprise.

New Age, April 17th, 1924.

There is a wider aspect of the nationalization question. We have referred to the fact that if a private enterprise

does not earn a profit the shareholder gets no dividend, whereas if a Government enterprise meets with the same ill success the bondholder gets his interest. The Government collects it from all of us in taxes. If the first fails, the loss is confined to those individuals to whom it happens to owe money; if the second fails, the loss is levied on the whole community. Therefore the banks regard bonds as better securities for loans than shares. This is of even greater importance to investors than the amount of the yearly dividend involved. And if and when the price to be paid by the Government for nationalizing undertakings comes to be negotiated, it will be considered on the capitalist side chiefly from that point of view. As regards the mining industry, we can conceive it quite possible for capitalism to regard Labour's offer of £150,000,000 as a good one, for there is little doubt that that amount in bonds would carry as much borrowing power as £180,000,000 of mining shares —in fact, we suspect, a good deal more. Widening our conception to embrace all other undertakings likely to be brought into a scheme of nationalization, and the final result is that the Government owns a large mass of erected plant, while the old proprietors have the call on a huge amount of financial credit which they can apply to whatever purposes they choose and in whatever quarter of the globe they prefer. Look what this means. So long as they were saddled with their factories and mines they had to work them and employ British labour in order to see a return. But now they need not do a stroke more investing in this country; they can go to, shall we say, India?

Now India is a coming country!* Listen. Coalminers' wages are not over eightpence a day on the average. Those of the railwaymen vary between twenty shillings and forty shillings a *month*. The spinning trade in jute pays not more than five shillings a week, and the weaving industry at the most twenty shillings a week. The average postal worker's wage does not exceed forty shillings a *month*. Then again, even with labour so cheap, they are not content with primitive plant there. All the finest examples of

* See note at end on China.

scientific genius are erected and are being erected there; in fact, under the urge of our mistaken financial policy at home we have only been able to keep our workers employed by dumping down into that country what is virtually a duplication of our own productive resources. And now India is commencing to compete against us for orders which we have hitherto relied on to keep our industries going. Is this the time, then, for a Government to purchase our threatened industries, and to present "private enterprise" with the means of exporting more capital which will be similarly used against us?

Alternatively, our colliery bondholders may choose to participate in the foreshadowed £40,000,000 loan to Germany, which is intended to assist her to export £65,000,000 worth of goods more than she imports in order to pay Reparations for the first year. Where are all these goods going? Some of them, certainly, into this country; and an increasing quantity of them if the rumoured intention of the present Government not to renew the McKenna duties proves correct. We recommend the Sheffield I.L.P. to consider where Sheffield industries will stand, when the Ruhr settlement comes and cheap steel begins to pour out of Germany under the stimulus of British finance set free as a by-product of Socialist nationalization. It only wants the I.L.P. Agenda Committee to include the Sheffield steel factories in its scheme of public ownership to round off the picture. Meanwhile, the only hope in nationalization is that under it certain economies will be effected. But, under the present credit and price system (within which all the Government's projects are designed to work) economy means unemployment. There is no way of getting out of it. Whoever does it, and wherever it is done, the cutting down of costs means the standing off of men. Shortening prices means lengthening doles. There is only one economy which can benefit the whole community at the expense of no-one; that is the laying of the "Debt" bogey. This is a task in which sincere and instructed men in all three Parties may co-operate. In undertaking it, none of them

need infringe any Party principle. And in inviting them to do so we are not asking them to lay aside the weapons with which they feel themselves obliged to fight for a place in the economic sun. If we were not certain that there is a square and fruitful deal between capital and labour, with the consumer a substantial beneficiary, we should accept the inevitability of the "class war" as the Communists do. As it is, we see the whole of Society involved in civil war which has arisen out of a mere book-keeping error. It can be ended to-morrow by writing up our real national assets to their true value, and then issuing the amount in terms of purchasing power.

A Hair, they say, divides the False and True;
Yes; and a single Alif were the clue,
Could you but find it—to the Treasure-house,
And peradventure to *The Master* too.

The Editor—Mr. ARTHUR BRENTON.

Note.—With India compare China, with "the most appalling Labour conditions in the world." Over 70 per cent. of all labourers working seven days a week, usually in twelve-hour shifts in the factories. In certain coal mines in the North, twenty-four hours underground to twelve above. Population of 295,000,000 and tremendous natural resources. Children of six years old freely employed, while iron, cotton, wool and other factories constantly springing up. *Forward*, Nov. 1st, 1924.

At present the "nationalization" of banking is being canvassed. The change of governorship or proprietorship is not the provision of more goods tickets—our real requirement. This latter is the primary desideratum: the former is merely irrelevant and might be used to side-track the second.

APPENDIX No. 7.

TWO MILLION HOVELS.

Scandalous Housing Conditions Revealed in Figures.

Interesting sidelights on the housing question were given by Col. H. Day, at a meeting of the Mutual Property

Insurance Company, yesterday. This company deals very largely with industrial insurance, more particularly in connection with housing, sickness and accident.

The urgency of the housing question is shown by Col. Day's statement that there are 2,000,000 slum dwellings in this country.

" The majority of labourers' cottages in rural districts were built over 50 years ago on the then principle of sanitation. At least 400,000 people in Scotland live in houses of one room only; another 2,000,000 live in houses of not more than two rooms; it is estimated that thousands of the one-roomed houses contain six, seven or more people, while 50 per cent. of the dwellings should be condemned as unfit for human habitation.

" Leeds has 72,000 back-to-back houses without through ventilation or any circulation of fresh air being possible, and only 12,000 of these hovels have separate sanitary arrangements. Reports of terrible overcrowding, particularly in the Home Counties, include Surrey, where the Medical Officer of Health gives case after case of housing conditions which are a scandal and a danger to the community. Reports from Birmingham state that the death-rate in the congested areas is almost double the rate in the better-class districts.

" If a plain unvarnished statement of the housing conditions of the working classes of this country could be published in one document," said Colonel Day, " it would stagger humanity."

Daily News, 12th April, 1924.

APPENDIX No. 8.

[*Note.*—The *Board of Trade Returns*, when shown in money values, are often very misleading: *e.g.*, owing to financial manipulation, wheat goes up in price as do, consequently, our wheat imports shown in money. But actually less wheat may be imported and a false impression given, by thus concealing under-consumption.]

The Economic Blockade.

I. *Russia and Finance.*

Despite the refusal of the United States to recognize Soviet Russia, American banking interests have succeeded in obtaining what is considered the most important concession of recent years for the exploitation of the manganese fields in the Chiatoury district of Georgia. . . .

An agreement drawn up to-day between the Soviet Government and representatives of Messrs. W. H. Harriman & Co., of New York, gives the Americans a monopoly in the export of manganese from Russia for twenty years. The concession covers 10,000 acres, estimated to contain 100 million tons of ore, which is sufficient to supply the world for half a century.

The United Steel Works of England contested vigorously for the rich prize, but the American offer was considered more advantageous.

If the agreement is fully carried out, the Soviet Government will ultimately receive nearly £20,000,000 in royalties. The Americans pledge themselves to give all foreign countries a full supply of manganese on equal terms.

Daily Express, Oct. 16th, 1924.

Messrs. Higginson & Co. are a partnership of ten merchant bankers, two of whom reside in New York, four in Boston, and another of whom is an American citizen resident in London and one of the leading members of the American Chamber of Commerce in the City.

Lee, Higginson & Co., the American incorporation of Higginson & Co., is involved in the *Standard*, and Morgan, electrical and mining enterprises, notably the one whose vice-president, Mr. Owen D. Young, has been appointed in Berlin as Agent-General to administer the Dawes Report.

Messrs. Higginson & Co. issued the £3,000,000 debentures for the Dunlop Rubber Co., Ltd., when that concern had to undergo drastic reconstruction. The chairman, whom Messrs. Higginson & Co. approve, is Sir Eric Geddes, President of the F.B.I. The Chairman of

Messrs. Higginson & Co. happens to be chairman also of The London, Midland and Scottish Railway Co.

In the latest return of the "*Daily Mail* Trust, Ltd.," made up to 13th December, 1923, appears as director of that ultra-British newspaper undertaking the name of one Frederick Alexander Szarvasy, formerly of Austro-Hungarian nationality (chairman, Anthracite Combine).

There is, also, in that interesting file of papers at Somerset House a document recording a Trust Deed of 11th February, 1924, for £8,000,000 of 7 per cent. Guaranteed Debentures on the "*Daily Mail* Trust, Ltd.," all of which stock was acquired by the British, Foreign, and Colonial Corporation, Ltd.,† of which the chairman is Frederick Alexander Szarvasy. Yet another director of the *Daily Mail* Trust, Ltd., is Sir Samuel Hardman, a director of the Bank of Montreal (London Office) which, as is generally known, exerts an enormous power in the *Canadian Pacific Railway Company* and the *Hudson Bay Company*,* both of which are moving heaven and earth to prevent the unloading of *cheap Russian wheat and timber* on the world markets.

This same Bank of Montreal is now closely interlocked with "Standard Oils" and National City Bank of New York. . . .

Also, be it noted, Sir Edmund Walker, of the Mond Nickel Co., Ltd., occupies the position of chairman to the Canadian Bank of Commerce.

The Canadian and American nickel, copper, petroleum, wood-pulp, timber and grain monopolists have every motive of self-interest to lead them to resist the opening up of the limitless mineral, timber and grain possibilities of Soviet Russia to the British consumer.

J. T. WALTON NEWBOLD.

Forward, Oct. 25th, 1924.

Exports of Wheat.

Russia to England.

1913	... ...	3,264,000 tons.
1923	... ...	16,000 ,,

Forward, Oct. 25th, 1924.

* Chairman: Sir R. M. Kindersley (*vide* Appendix 9 I.).

† *Cf.* p. 55.

II. *The Strangle-hold on Food.*

Bread.

"Bread," says the *Labour Gazette*, "is now 9¾d. per 4 lbs. as against 8½d. on May 1st, and flour 1s. 5¼d. per 7 lbs. as against 1s. 3d."

Where does the money go? The great concern of Spillers' Milling and Associated Industries Ltd.—a combine of a number of flour milling and wheat importing firms—last year paid a dividend of 12½ per cent. as compared with 10 per cent. the previous year. From 1911 to 1919 it paid a total of 137 per cent. in dividends; from 1920 to 1921 (after financial reconstruction) it paid 45 per cent., and in the last three years has made £857,732 in profits.

Tea.

On April 1st tea cost 2s. 6½d. per lb.; on May 1st, as a result of the Budget, it fell to 2s. 3¼d.; on October 1st it had risen to 2s. 3¾d., and showed signs of rising still further.

The *Statist* recently published a table of the results of 35 Indian companies trade in 1923, which gives the following results:—

Ord. Capital.	Dividend.	Reserve.
£6,320,950	£2,110,000	£4,427,900

The profit on the ordinary capital in no case fell below 22½ per cent., and averaged about 50 per cent., rising in some cases to 75 and 85 per cent. dividends.

The International Tea Company paid 19 per cent. for 1923-24. The chairman said: "We have made £431,348, which is £34,500 more than in any previous year."

The *Daily Express* (September 3rd, 1924) reports of the Scottish Loan and Trust Company of Ceylon (a tea company):—

"The company's financial year ended on Sunday, and we understand that it has done extremely well, making probably nearly 70 per cent. profit on its capital. A dividend of 50 per cent., of which 10 per cent. has been paid, may, we think, be anticipated."

Sugar.

The big sugar firms of Tate and Lyle were merged together in 1921. For the three years before the amalgamation H. Tate & Sons paid 51 per cent. in dividends, as well as an ordinary share bonus of 100 per cent., and a preference share bonus of 25 per cent. Since the amalgamation, the firm has paid dividends of 15 per cent. both for 1921 and 1922, and has made a total profit of £2,349,918. Tate's granulated sugar has risen from 5d. a lb. in 1918 to 6·78d. in 1924 (London prices).

Milk.

Last week the great milk combine, the United Dairies Company, declared a final dividend of 14 per cent., with a net profit of £506,542.

This brings the total dividends for the last five years to £2,000,000, a profit of 50 per cent. on its capital.

It controls the bulk of the wholesale trade and one-third of the retail trade of London.

"This important company," said last week's *Investors' Chronicle*, "is now more than a combination of dairy undertakings, as it manufactures a large variety of foodstuffs, including cheese, margarine, butter, condensed milk, table delicacies, also dairy appliances and utensils. It controls over 600 shops."

Meat.

"The butchers' percentage of profit," said the Report of Lord Linlithgow's Committee, "has definitely increased since the war, while the value (*i.e.*, the price) of the commodities in which they deal has increased also."

The most powerful influences in the meat trade are the big combines such as the American Trusts and, in this country, the vested interests organized in the Union Cold Storage Company Ltd.* This big combine includes a large number of British and Australian meat companies, owns its own ranches, freezing works, steamers, etc., and, according to the *Statist*, "has a strong grip on the retail

* *See below,* Vestey Bros.

meat business." It has an issued capital of £8,780,000, and for the four years 1920 to 1923 made total profits of £2,330,661.

For nineteen years it has paid a steady dividend of 10 per cent., and now has a reserve of close on £2,000,000. It now owns Eastmans Ltd., the Argentine Meat Company Ltd., The British Beef Company Ltd., W. & R. Fletcher, The North Australian Meat Co., Ltd., and many other smaller companies which it has bought up during the last ten years.

Forward, Nov. 1st, 1924.

III. *New Zealand and Vestey's.**

Mr. W. D. Lysnar (Gisborne): . . . . It is a matter in connection with the sale of the Poverty Bay Meat-works to Vestey Brothers. I am not going, at this juncture, to say anything in connection with the National Bank of New Zealand, which is responsible for the initial steps . . . .

First, it is against the interest of shareholders and detrimental to the public interest that such a powerful combination, with a recently increased capital of £3,750,000 sterling, should be allowed to squeeze out a legitimate farmers' co-operative company, and thus defeat the very object for which the farmers have made big sacrifices, in order to establish these large and efficient works.

Second, in view of the bank's intimation that if the directors do not accept this offer, the bank will force the Company into liquidation and sell the works to Vestey Brothers, immediate steps should be taken to request the Minister of Agriculture to give an intimation, that, if this purchase is effected as suggested, he will exercise his power to refuse or cancel the license to Vestey Brothers or their representative company in connection with the works, in accordance with the powers vested in him by law. . . .

It was a works established during the war to provide facilities to meet war conditions, and the people have subscribed £273,000 cash towards the company. But those

* Union Cold Storage Co., Ltd. (*see above*).

people dug their hands very deeply into their pockets, believing that this legislation that was not acted on by the Minister would be effective and protect their position, and they naturally came forward and assisted the concern, with the result that some of these unfortunate people had to open their doors again in business which they closed years ago, thinking that they were going to pass the rest of their time in peace and quietness. Sir, to me it is of little importance, excepting my feeling over the matter that the biggest trust in the world has got the benefit of my money, as well as the money of other people; and I challenge any man in this Dominion to say that I have not fought the trust in question as much as anybody. As the proposer of the Address in Reply said, "The financiers are getting away with the swag." . . .

I ask members of this House to consider and weigh this matter for themselves. There is a trust with £8,700,000 behind it. I ask members what sort of a heart farmers need to stand up and fight against a trust with nearly £9,000,000 behind it, and your Minister of Agriculture against the farmers, and the Meat Board against them, and then, on the top of that, to have to fight their own bank. . . .

Now, what do we find while Vesteys were practically the sole owners of beef in Britain? In March, when wholesale meat had been selling a short time previously at from 10d. to 11d., Vesteys, who were controlling the position, with one sweep of the pen reduced the price of New Zealand ox beef to 6d. and prime cow to 5d. I will quote from a cable that came here on the 19th March, and it says, "Prices on spot—Vestey Bros.: beef, New Zealand, prime ox, 160/220, 6d.; prime cow, 5d." That was just the time Vestey Bros. brought beef down with a jump to that price. Why did they do it? They have thousands of retail shops, but they were not reducing it there. They were selling it retail up to 1s. 5d. per pound, according to the High Commissioner's figures. We find from the High Commissioner's report the retail price actually goes up after Vestey Bros. reduced the retail [? wholesale—

W.H.W.] price. In February it was 1s. 5d., in March 1s. 5d., and in April it had gone up to 1s. 7d. and in May 1s. 7d. was the retail price of ribs of beef. So you will see, while they were able to control the market, the wholesale prices went down and the retail prices were going up, and you cannot let that kind of thing continue. I say, therefore, if the Government allow Vestey Bros. to remain in this Dominion, they are not doing their duty to the producers or to the Dominion." . . .

What is necessary, is to legislate that no oversea company be allowed to own or work freezing-works in the Dominion. It should be stopped, but I would give them one or two years' grace. Further, I am convinced that the stock-owners should elect representatives on the Board from different parts or districts of New Zealand. The present system allows all sorts of irregularities and gives great latitude for log-rolling. What we have here at present is the American system. . . .

I venture to say that the farmers are losing hundreds of thousands of pounds through Vestey Brothers holding freezing-works in the Dominion. I will not attempt to place before the House every detail of the loss that is being sustained, but the facilities are there, and it is not right that these people should own and work freezing-works. I notice with pleasure that the present Government in England is suggesting that it should take a share in the marketing of the overseas dominions' produce. . . .

New Zealand Parl. Debates,
July, 1924, pp. 349-353.

IV. *U.S.A. and the Meat Trust.*

Summary of Report of Federal Trade.

Five corporations—Armour and Co., Swift and Co., Morris and Co., Wilson and Co., Inc., and the Cudahy Packing Co.—hereafter referred to as the "Big Five" or "The Packers," together with their subsidiaries and affiliated companies, not only have a monopolistic control over the American meat-industry, but have secured control,

similar in purpose if not yet in extent, over the principal substitutes for meat, such as eggs, cheese, and vegetable-oil products, and are rapidly extending their power to cover fish and nearly every kind of foodstuff.

In addition to these immense properties in the United States, the Armour, Swift, Morris and Wilson interests, either separately or jointly, own or control more than half of the export production of the Argentine Brazil and Uruquay, and have large investments in other surplus meat-producing countries, including Australia. Under present shipping conditions the big American packers control more than half of the meat upon which the Allies are dependent.

The monopolistic position of the Big Five is based not only upon the large proportion of the meat business which they handle, ranging from 61 to 86 per cent. in the principal lines, but primarily upon their ownership, separately or jointly, of stockyards, car lines, cold-storage plants, branch houses, and the other essential facilities for the distribution of perishable foods.

The control of these five great corporations, furthermore, rests in the hands of a small group of individuals, namely, J. Ogden Armour, the Swift brothers, the Morris brothers, Thomas E. Wilson (acting under the veto of a small group of bankers), and the Cudahys.

A new and important aspect was added to the situation when the control of Sulzberger and Sons Co. (now known as Wilson and Co., Inc.) was secured, 1916, by a group of New York banks—Chase National Bank; Guaranty Trust Co.; Kuhn, Loeb and Co.;* William Salomon and Co.; and Hallgarten and Co. The report of the Committee appointed by the House of Representatives to "investigate the concentration of control of money and credit" (the Pujo Committee) states (p. 59): "Morgan and Co. controls absolutely the Guaranty Trust Co." The Chase National Bank, a majority of its stock being owned by George F. Baker, is closely affiliated with the First National Bank. William Salomon and Co. and Hallgarten and Co. are

* *Vide* Appendix 9 III. *passim.*

closely affiliated with Kuhn, Loeb and Co. Thus we have three of the most powerful banking groups in the country, which the Pujo Committee classed among the six " most active agents in forwarding and bringing about the concentration of control of money and credit," now participating in the rapidly-maturing food monopoly above described. The entrance of the bankers into the packing business, it should also be noted, was not at all displeasing to the big packers. J. Ogden Armour and Louis F. Smith were frequently consulted during the negotiations, and Paul D. Cravath is quoted by Henry Veeder as giving assurance that the final arrangements would be " more than satisfactory " to Armour and Swift.

The menace of this concentrated control of the nation's food is increased by the fact that these five corporations and their five hundred and odd subsidiary, controlled, and affiliated companies are bound together by joint ownership, agreements, understandings, communities of interest, and family relationships.

The combination among the Big Five is not a casual agreement brought about by indirect and obscure methods, but a definite and positive conspiracy for the purpose of regulating purchases of live stock and controlling the price of meat, the terms of the conspiracy being found in certain documents which are in our possession.

There are undoubtedly rivalries in certain lines among the five corporations. Their agreements do not cover every phase of their manifold activities nor is each of the five corporations a party to all agreements and understandings which exist. Each of the companies is free to secure advantages and profits for itself so long as it does not disturb the basic compact. Elaborate steps have been taken to disguise their real relations by maintaining a show of intense competition at the most conspicuous points of contact.

The Armour, Swift, Morris, and Wilson interests have entered into a combination with certain foreign corporations by which export shipments of beef, mutton, and other meats from the principal South American meat-producing

countries are apportioned among the several companies on the basis of agreed percentages. In conjunction with this conspiracy, meetings are held for the purpose of securing the maintenance of the agreement and making such readjustments as from time to time may be desirable. The agreements restrict South American shipments to European countries and to the United States.

Since the meat supplies of North and South America constitute practically the only sources from which the United States and her Allies can satisfy their needs for their armies, navies, and civil populations, these two agreements constitute a conspiracy on the part of the Big Five, in conjunction with certain foreign corporations, to monopolize an essential of the food of the United States, England, France, and Italy.

The power of the Big Five in the United States has been, and is being, unfairly and illegally used to—

Manipulate live stock markets;
Restrict inter-state and inter-national supplies of food;
Control the prices of dressed meats and other foods;
Defraud both the producers of food and consumers;
Crush effective competition;
Secure special privileges from railroads, stockyard companies, and municipalities; and
Profiteer.

The packers' profits in 1917 were more than four times as great as in the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years 1915-1916-1917 four of the five packers made net profits of $178,000,000.

Foreign Interests.—The investigation of the foreign interests of the American packers is not yet complete. The following list of those companies which thus far have been identified as subsidiary to or affiliated with the Big Five is indicative of the extent of their activities abroad:—

Armour.

Armour and Co. of Australia (Australia and New Zealand).

Armour and Co. of Uruguay (Uruguay).
Compania Armour do Brazil (Brazil).
Frigorifico Armour de la Plata (Argentine).
Dominion Tanneries (Ltd.) (Canada).
Armour Canadian Grain Co. (Canada).
Allen and Crom (Ltd.) (Great Britain).
Armour and Co. (Ltd.) (Great Britain).
Fowler Bros. (Ltd.) (Great Britain).
James Wright and Co. (Great Britain).
Times Cold Storage Co. (Great Britain).
Armour and Co. (Frankfort, Germany).
Armour et Compagnie Société Anonyme (France).
Armour Societa Anonima Italiana (Italy).
Armour and Co. (Ltd.) (Denmark).

Armour and Morris.

Sociedad Anonima La Blanca (Argentine).

Cudahy.

Cudahy and Co. (Ltd.) (Australia).
The Cudahy Packing Co. (Ltd.) (Great Britain).

Morris.

Morris Beef Co. (Ltd.) (Great Britain).
Haarers (Ltd.) (Great Britain).

Swift.

Australian Meat Export Co. (Ltd.) (Australia).
Compania Swift do Brazil (Brazil).
Compania Swift de la Plata (Argentine).
Compania Swift de Montevideo (Uruguay).
Compania Paraguaya de Frigorifico (Paraguay).
Swift Canadian Co. (with its selling branches) (Canada).
Libby, McNeill and Libby of Canada (Canada).
Libby, McNeill and Libby of London (Great Britain).
Curry and Co. (Ltd.) (Great Britain).
Garner, Bennett and Co. (Ltd.) (Great Britain).
H. A. Lane and Co. (Ltd.) (Great Britain).
H. L. Swift Stall (Great Britain).
Swift Packing Co. (Ltd.) (France).
Franklin Land and Investment Co. (Great Britain).
Swift Beef Co. (Ltd.) (Great Britain).

Wilson.

Frigorifico Wilson de la Argentine (Argentina).
Archer and Co. (Ltd.) (Great Britain).
Nuttall Provision Co. (Ltd.) (Great Britain).

In transmitting this report to the President of the United States, the Federal Commission States:—

"As we have followed these five great corporations through their amazing and devious ramifications, followed them through important branches of industry, of commerce, and of finance—we have been able to trace back to its source the great power which has made possible their growth. We have found that it is not so much the means of production and preparation, nor the sheer momentum of great wealth, but the advantage which is obtained through a monopolistic control of the market places and means of transportation and distribution.

"If these five great concerns owned no packing plants and killed no cattle, and still retained control of the instruments of transportation, of marketing, and of storage, their position would not be less strong than it is.

"The producer of live stock is at the mercy of these five companies because they control the market facilities and, to some extent, the rolling-stock which transports the product to the market.

"The competitors of these five concerns are at their mercy because of the control of the market places, storage facilities, and the refrigerator cars for distribution.

"The consumer of meat products is at the mercy of these five because both producer and competitor are helpless to bring relief."

(Quoted in *The Prospects of Industrial Civilization*, pp. 206-210, by Bertrand and Dora Russell—George Allen & Unwin, Ltd.).

The above is a detailed exposition of how the many branches of one industry have congregated into the control of a few individuals. More particularly in this country, we have organizations that while not as powerful as the

above, yet are obviously conducted on lines that are nationally and psychologically undesirable. A glance at the following commodities—sugar, tobacco, brewing, oil, flour-milling, frozen meat, soap, housing materials, cocoa and chocolate, newspapers, biscuits, matches, heavy chemicals, railways, banks, whisky, films—all with either "working agreements" or direct "co-ordination" among most of the firms concerned, will give some idea of how we are controlled in our daily lives. In addition to those we have multiple retailers in groceries, tailoring, books, drugs, public-houses, dairies, boots, etc. In one recent amalgamation in the grocery trade of 2,000 branches, it was even reported that there was implicated a large provision house, selling to the small competitors of both concerns.

APPENDIX No. 9.

Money Power.

I. The Bank of England and its Cognate Attachments.

Bank of England.

Rt. Hon. Montague Collet Norman, D.S.O. (Governor).
Mr. Cecil Lubbock (Deputy Governor).

Directors.

Sir C. S. Addis, K.C.M.G.
Sir A. Garrett Anderson, K.B.E.
Mr. C. G. Arbuthnot.
Mr. H. Cosmo Bonsor.
Mr. G. M. Booth.
Lord Cullen, K.B.E.
Mr. Kenneth Coschen.
Mr. E. C. Grenfell, M.P.
Sir Everard Hambro, K.C.V.O.
Col. L. H. Hanbury, C.M.G.
Mr. G. W. Henderson, C.M.G.
Mr. W. D. Hoare, C.B.E.
Sir R. M. Kindersley, G.B.E.
Hon. R. D. Kitson, D.S.O., M.C.

Mr. R. L. Newman.
Mr. E. R. Peacock.
Rt. Hon. Lord Revelstoke, G.C.V.O.
Sir H. Babington Smith, G.B.E., C.H., K.C.B., C.S.I.
Mr. M. S. Spencer-Smith, D.S.O., M.C.
Mr. H. A. Trotter.
Mr. F. C. Tiarks.
Mr. Robert Wallace.
Mr. W. K. Whigham.
Mr. A. Whitworth.

Cognate Attachments, being other directorships as held by each Director of the Bank of England.

Sir C. S. Addis, K.C.M.G.

Chairman, London Committee Hong Kong & Shanghai Banking Corporation.
British and Chinese Corporation, Ltd.
Chinese Central Railways, Ltd.
Eastern Telegraph Co., Ltd.
P. & O. Steam Navigation Co.
British India Steam Navigation Co., Ltd.

Sir A. Garrett-Anderson, K.B.E.

Anderson, Green & Co., Ltd., Orient Steam Navigation Co.
L.M.S. Railway Co.
Orient Underwriting Fund, Ltd.
Whitechapel & Bow Railway.

Mr. C. G. Arbuthnot.

Arbuthnot, Latham & Co., Ltd.
London Assurance Co.

Mr. H. Cosmo Bonsor.

Northern Assurance Co.
Watney, Combe, Reid & Co., Ltd.

Mr. G. M. Booth.

Amanzonas Engineering Co., Ltd.
Booth Steamship Co., Ltd.
Consolidated Construction Co., Ltd.

International Light & Power Co.
J. G. White & Co., Ltd.
Manaos Harbour Ltd.
Municipal and General Securities Co., Ltd.
Pavlova Leather Co., Ltd.
Sao Paulo (Brazilian) Railway Co., Ltd.
Unit Construction Co., Ltd.

Lord Cullen, K.B.E.

Antony Gibbs & Sons.
National Bank of Egypt.
Pan de Azucar Nitrate Co., Ltd.
Rosario Nitrate Co., Ltd.

Mr. Kenneth Goschen.

Goschen & Cunliffe Ltd.
Borholla (Assam) Tea Co.
The general Goschen interests include also directorships in the following:—

Chartered Bank of India, Australia and China.
National Provincial Bank.
Lloyds & N.P. Foreign Bank.
London Assurance Co.
Mexican Railway Co.
Provincial Bank of Ireland.
Sun Insurance Co.
Union Discount Co., Ltd.
Bank of Roumania.
Corporation of Foreign Bondholders.
Eagle Star & British Dominions Ins. Co., Ltd.
Imperial Ottoman Bank.
Westminster Bank, Ltd.
Indemnity Mutual Marine Ass. Co.
Midland Bank.
Northern Assurance Co., Ltd.
Atlas Assurance Co., Ltd.
British Trade Corporation.

Mr. E. C. Grenfell, M.P.

Morgan, Grenfell & Co.*

* English branch of Mr. J. Pierpont Morgan's firm, J. P. Morgan and Co. of New York.

Atlantic Transport Co., Ltd.
G. Thompson & Co., Ltd.
Indemnity Mutual Marine Ass. Co., Ltd.
International Navigation Co., Ltd.
Oceanic Navigation Co., Ltd.
Shaw, Savill & Albion Line, Ltd.
Sun Insurance Co.

Sir Everard Hambro, K.C.V.O.
Hambro's Bank, Ltd.
The Hambro interests include the following:—
Danube Navigation Co., Ltd.
L. & N.E. Railway Co.
Royal Exchange Ass. Co.
Investment Corporation of Canada, Ltd.

Col. L. H. Hanbury, C.M.G.
Wood, Hanbury, Rhode & Jackson.
Guardian Assurance Co., Ltd.

Mr. G. W. Henderson, C.M.G.
Borneo Co., Ltd.

Mr. W. D. Hoare, C.B.E.
Alliance Assurance Co., Ltd.
Anglo-Brazilian Commercial & Agency Co., Ltd.
Ashton, Hoare & Co., Ltd.
Bank of London and South America, Ltd.
Belize Estate & Produce Co., Ltd.
Brazilian Trust & Loan Corporation, Ltd.
London Trust Co., Ltd.

Sir R. M. Kindersley, G.B.E.
Eastern Telegraph Co., Ltd.
Globe Telegraph and Trust Co., Ltd.
Hudson's Bay Co.*
Mercantile Investment & General Trust Co., Ltd.
Second Mercantile Trust, Ltd.
Whitehall Trust Ltd.

Hon. R. D. Kitson, D.S.O., M.C.
Bacares Iron Ore Mines.

* *Cf.* Appendix 8 I. (ii).

Bolckow Vaughan & Co., Ltd.
Monk Bridge Iron & Steel Co.

Mr. R. L. Newman.
Newman, Hunt & Co.
Hunt, Roope, Teage & Co., Ltd.

Mr. E. R. Peacock.
Barcelona Traction Light & Power Co.
Baring Bros., Ltd.
Brazilian Traction Light and Power Co., Ltd.
International Comm. of Bankers on Mexico.
Mexican Light & Power Co., Ltd.
Mexican Tramways Co.
Sun Insurance Co.

Rt. Hon. Lord Revelstoke, G.C.V.O.
Baring Bros., Ltd.
Arthur Guinness, Son & Co., Ltd.

Mr. M. S. Spencer-Smith, D.S.O., M.C.
H. S. Lefevre & Co., Merchants.
Anglo-Austrian Bank, Ltd.
Anglo-Czecho Slovakian Bank.
Banque des Pays de l'Europe Centrale.
British Italian Banking Corporation, Ltd.
London Assurance Co.

Mr. H. A. Trotter.
Thomson Hankey & Co., Ltd.
Alliance Assurance Co., Ltd.
Argentine Light & Power Co., Ltd.
Borneo Co., Ltd.
Corporation of Foreign Bondholders.
International Investment Co., Ltd.
United Electric Tramways of Monte Video, Ltd.

Mr. F. C. Tiarks.
J. H. Schröder & Co.
Anglo-Persian Oil Co., Ltd.
Brazilian Warrant Co., Ltd.
E. Johnston & Co., Ltd.
Sao Paulo Estates Co., Ltd.

Mr. Robert Wallace.
Wallace Bros. & Co., Ltd.

Mr. W. K. Whigham.
Robert Fleming & Co., Ltd.
British Investment Trust, Ltd.
British Steamship Investment Trust, Ltd.
L. & N.E. Railway Co.
Mercantile Investment & General Trust, Ltd.
Para Electric Railways & Lighting Co., Ltd.
Second Mercantile Trust Co., Ltd.
Sun Insurance Co.

Mr. A. Whitworth.
Forbes, Forbes, Campbell & Co., Ltd.
Bank of Australasia.
Borneo Co., Ltd.

Mr. Cecil Lubbock.
Corporation of Foreign Bondholders.
Northern Assurance Co., Ltd.
Provident, Accident & Guarantee Co., Ltd.
Whitbread & Co., Ltd.

II. The Bank of New Zealand.

Mr. F. Langstone (Waimarino): . . . . In the first place, I wish to refer to that great octopus in this country, namely, the Bank of New Zealand. On the board of directors of the Bank of New Zealand we have four representatives out of the six, who ought to be looking after the interests of the country; but most of them are wealthy private shareholders, and, instead of looking after the interests of the country, they are forfeiting the interests of the country in the interests of the shareholders. The Bank of New Zealand started business in this country in the year 1861. From 1861 to 1894 this avaricious institution was so greedy and was gobbling up such enormous profits, that the interest started at 6 per cent. and ran up to 15 per cent., and matters became so bad as a result of their greed that they had eventually to come to the Government for assistance to the tune of £5,231,607 in cash and

guarantees. That was between 1894 and 1895, and that was the amount of the assistance which the Government gave to save the shareholders of the Bank of New Zealand. And between the years 1862 and 1894 the shareholders had received their capital back three and three-quarter times over. They had received it back in dividends, and they brought about such a state of affairs in this country—or had assisted to do so—that the Government had to come to their aid and take the management of the whole concern out of their hands. The Government had to provide this enormous amount of money in the form of assistance, and to put the bank on short diet for a while. For about five or six years the bank paid no dividend at all; indeed, by law it was not allowed to pay any more than 5 per cent. Under that agreement they were not allowed to touch the reserve fund, nor could they increase the capital without the permission of the Minister of Finance. They could not touch the reserve fund of the bank without obtaining the consent of Parliament; but in the year 1920 one of the most nefarious pieces of legislation was passed by the present Tory Government, in order to plunder from the reserve fund £1,125,000, £750,000 of which went to the private shareholders. That sum was paid to the shareholders in this way: for a long time, from about 1894 to 1914, the Government held £2,000,000 guaranteed stock. They had "A" shares amounting to about £500,000 during most of the time. They had guaranteed the bank to the extent of £2,000,000. Then, we find that the shareholders had only a very small amount in the bank. There was certainly some uncalled capital, but this £750,000 was taken away from the reserve fund, the Prime Minister saying that it could be much more easily handled as share capital than in the reserve fund. But by taking the money out of the reserve fund, the Government weakened the bank instead of strengthening its finances. They turned what was an asset into a liability. They took £750,000 away from the assets of the bank in the reserve fund, and transferred it at the rate of £3 6s. 8d. to each share, making them £10 shares. That amounted to a 50 per cent. dividend that

year. A 50-per-cent. dividend was given to the ordinary shareholders that year, notwithstanding that on top of that the bank had paid 17½ per cent.—that was in all, 67½ per cent. . . .

There is no man in New Zealand who can contradict it, because it is a fact—67½ per cent. was given to the shareholders of the Bank of New Zealand, notwithstanding that it was the Government who in 1894 saved the bank from disaster—from going into the oblivion of bankruptcy. We had saved it, and yet we find that the Government appointed private shareholders on the board of directors, men who were looking after their interests. Mr. Gibbs, who is now the private shareholders' representative on the board, was the Government auditor. He is a private shareholder, and he recommended to the Minister of Finance that the Government should do this sort of thing. The Attorney-General was also a shareholder, and a very large shareholder, in the bank. An honourable member shakes his head in dissent, but I have seen the share-list, and know what I am talking about. The Attorney-General also recommended that the reserve fund should be treated in the manner I have described, and the £750,000 worth of shares were worth, according to the stock values of that time, £2 15s. 0d. per share. That meant that the transaction was equivalent to giving the private shareholders £2,030,000 for nothing. Is that anything for the Government to be proud of? Is that a good thing for the country, when we see our farmers going bankrupt and our industries languishing for the need of capital—when we see starvation stalking through the land? And yet, during the bad times, the bank has made greater profits than ever.* Not only is that the case, but last year the Government allowed the banks to increase their share capital. That was not necessary at all. They did not need any extra share capital for the purpose of carrying on their businesses, *because the working capital of a bank is not its share capital. It is the deposits of its consumers that form the working capital of a bank. That was proved conclusively*

* *Cf.* Appendix 5 II., p. 235 and note.

by the experience of the Commonwealth Bank of Australia. That bank started without any capital at all, on somewhat the same lines as the Government Fire Insurance Office in New Zealand was started. It was the customers who came along to the bank in the one case, and the people who came to insure in the other, who provided the working capital. [Italics inserted.—W.H.W.] It was exactly the same with the Bank of New Zealand. There was no reason why the share capital of the Bank of New Zealand should have been increased. I am dealing particularly with the Bank of New Zealand, because it is an institution that has the support of the State. The Prime Minister has stated on many occasions that the present arrangement between the bank and the Government is twenty thousand times better than having a State bank. I agree that it is twenty thousand times better for the shareholders, but it is a hundred thousand times worse for the people of New Zealand. There is no more insatiable, more greedy, institution in New Zealand than the Bank of New Zealand; but the Government, having the appointment of four directors out of six, ought to be able to stop the plundering that is going on at the present time. They increased the capital last year by £1,125,000. Those shares were given to the existing shareholders at par, at £1 each. They were worth immediately on the stock exchange £2 12s. 0d., and to-day they are quoted at £2 14s. 0d. So we see that by the Act of 1920 allowing them to plunder the reserve fund, and allowing them to make an increase in the share capital that was not necessary, they have been able to appropriate from the people of New Zealand £3,420,500. The value of the shares, as a result of the nefarious doings of the Tory party in power, has increased by nearly £4,000,000, and while that has been going on the bank has been defrauding the Taxation Department by not paying its just dues. It has written down its property account by over £1,000,000 easily, and increased its liabilities out of all proportion to its needs, as is evidenced by its last balance-sheet. . . .

Then, the bank unnecessarily increased or inflated its liabilities, and there was a surplus on the realization of

Government securities of £148,112 9s. 9d. While it has been inflating its liabilities it has been deflating its assets, and the result is that it has been escaping the payment of taxation on these amounts. The Government knows these things very well. A small trader—say, a butcher or a grocer—would have the income-tax officers on his tracks immediately if he did anything of the kind; but here is a concern that is Government-controlled, with four directors out of six, that is allowed to defeat our Income-tax Department. In 1900 it had 121 branches, and the value of its landed properties and premises in its books was £509,573. In 1923 it had 212 branches, nearly 100 more than in 1900—more modern and more palatial buildings, of course—and it has written them down to £308,779. It has been defeating the taxes by its spurious system of book-keeping. The Government knows these things, and yet nothing is done. While this is going on we find, according to last year's balance-sheet, it had something like £11,000,000 or £12,000,000 which it had not made use of during the year. I think that out of the £30,000,000 odd deposited with it, about £18,000,000 has been lent out. And here are our farmers, and industrialists, and other people crying out for credit and financial assistance, and this great octopus concern is able to withhold these credits, and so stifle industry and stop progress. . . .

I do not think that the members sitting on that side of the House know just what is going on in connection with the Bank of New Zealand. After the bank had increased its capital—unnecessarily increased it, mind you—just so that it could mislead the people—so that it could throw dust in their eyes and make its dividends appear small—it reduced its dividend from 17½ per cent. down to 13⅓ per per cent.; but it was paying 17½ per cent. on a paid-up share of £6 13s. 4d. It had added £3 6s. 8d. making those shares £10, so that a 13⅓ per cent. dividend on a £10 share is equal to a 20 per cent. dividend on a £6 13s. 4d. share. If the Government was ignorant of what was going on, then it has forfeited its right by lack of intelligence to occupy those benches. The mere fact of reducing the

dividend from 17½ per cent. to 13⅓ per cent. was actually increasing it to a 20 per cent. dividend, and they are to-day getting that dividend. The Bank of New Zealand, if we take the year 1914, before the war, made, I think, a profit of something like £248,000 or £250,000. This year we find that, after having hidden their profits in every possible shape and form, they are making greater, aye, more than double, what they did before—over £750,000 net profit. Every person who takes any interest in public life at all, any man who studies the questions of the day, knows that no person—not shareholder—can get something for doing nothing unless somebody has to do something and get nothing. You cannot get away from the fact that no one can get something for nothing, unless someone does something and gets nothing; and we find those people who have been doing the "nothings" have been getting the "somethings" to the tune of £4,000,000, and that the people who have been doing the "somethings" have been getting the "nothings." . . .

The banks in New Zealand are just operating in conformity with the banks in other parts of the world. Here is a clipping which tells us the whole story, and shows us the object which the capitalistic party have in view. It is taken from one of the banking magazines of 1920. It says:—

"*Capital must protect itself in every possible manner through combination and legalization. The Courts must be called to our aid. Debts must be collected; bonds and mortgages foreclosed as rapidly as possible. When through a process of law the common people have lost their homes, they will be more tractable and easily governed, through the strong arm of the leading central power of imperial wealth, under the control of the leading financiers. A people without homes will not quarrel with their rulers.*" [Italics inserted—W.H.W.]

There you have the dogmatic association of banks in America, and the Bank of New Zealand, let me say, is pursuing a similar policy. The Prime Minister is a freeholder; but I ask, "Where is the freehold in New

Zealand with £258,000,000 of registered mortgages secured upon the lands of this country? Can anyone point me a man who has got the freehold? " Clearly the freehold is a myth. It is used by the money-lenders in exactly the same manner as mother uses a piece of cheese to catch a little mouse. Mother does not want to feed mice on cheese; she merely puts a bit of cheese in the trap, to trap the mouse. In a similar way the freeholder is caught in the money-lender's trap with an alleged offer of the freehold. . . . .

Money-power has got to such an extent nowadays that it is dangerous in the hands of private people.* The question of banking should not be a private question at all. It is a national question, and that is instanced by our Post Office Savings-bank. The Prime Minister goes and borrows money in London, and I will take as an example the £5,000,000 loan in 1921. When he borrowed that loan he did not get the £5,000,000, but had to borrow a further £386,000 to make up the deficiency, the £386,000 being the cost of flotation expenses; and on that £386,000 we pay annually 6 per cent. interest, which amounts to £23,160. If we take the loan as on a thirty-year period, the interest on the £5,000,000 at 6 per cent. brings the amount up to £9,000,000. In addition, the principal has got to be paid back. The interest on the £386,000 for the thirty years amounts to £898,992, so that the total that this country has to pay for the loan of £5,000,000 amounts to £15,284,992. Now, the Prime Minister knows that there is another way by which loans could be obtained. In our Post Office Savings-bank there is about £44,000,000, and the Government borrowed nearly £42,000,000. There are no expenses connected with that borrowing. . . .

Of that £9,000,000 falling due there was about £5,000,000 owing to the Public Trust Office or to the Post Office, and all that would have been necessary to do, was for the Prime Minister and the Postmaster General to talk the matter over and agree to renew the loan. The Postmaster General would say, " Yes, I will renew that

* *cf.* p. 168.

loan," and the matter could be fixed up in five minutes, with no cost for flotation expenses. We find, in connection with the 1921 loan, that the Prime Minister was scrimmaging in England with somebody by the name of Scrimgeour, but he beat the Prime Minister for the ball in the scrum all the time. I ask honourable members to listen to this:—

	£	s.	d.
Payments made through Bank of England.			
Commission to brokers and others at ¼ per cent. on £4,682,900	11,707	5	0
Advertising expenses	3,737	7	8
Stamps on allotment letters, scrip and postage	391	18	6
Discounts allowed on prepayments in full	10,010	2	2
Bank of England ¼ per cent. charge for issuing loan	12,500	0	0
Payments made direct by Loan Agents.			
J. and A. Scrimgeour—			
1¼ per cent. underwriters' commission	62,500	0	0
¼ per cent. brokerage thereon	12,500	0	0
Bank of England.			
Composition for stamp duty on £5,000,000 stock at 25s. per cent.	62,500	0	0
Composition for stamp duty on £384,692 6s. 6d. 6 per cent. stock sold for loan expenses ...	4,808	13	1
J. and A. Scrimgeour—			
¼ per cent. brokerage on sale of £384,692 6s. 6d. 6 per cent. stock and contract stamp	962	14	7

The borrowing of the £42,000,000 by our Government from the Post Office has not cost the Government a brass farthing. There was no expense attached to the transaction. The rates of interest that we are paying are 3 per cent., 3½ per cent. and 4½ per cent., whereas for the other money we are paying 6 per cent. Then you have to add all those

other charges which I mentioned. With all the experience that he has, the Prime Minister must know which is the best way to raise the money in the Dominion. The Commonwealth Bank of Australia during the war had to raise £150,000,000 for war purposes. Prior to that it had cost them £2 7s. 1d. per cent. to raise money on the London market; but when they started raising money internally, when the Commonwealth Bank took the responsibility for doing it, it cost them 4s. 6d. per cent. That change enabled the people of Australia to effect a saving of over £3,000,000. That was the result of doing their business in a common-sense way.

Mr. W. D. LYSNAR (Gisborne): . . . . Then, a second provision is necessary, and that is to establish a clearing-house to meet exchange difficulties. It will be necessary to give this land bank special powers to receive deposits and to issue notes. That is a function that rightly belongs to the State. *History shows that the State has had to assist banks all the world over. Several times the Imperial Government has been called upon to assist the Bank of England, and the same can be said to have happened in France. After the war between the northern and southern States of America there was the same difficulty. Every bank in America then failed. In Australia, in its great financial crisis, the Governments had to guarantee the banks' note issue. All the Australian banks, with the exception of about three, had then to close and reconstruct. In New Zealand the Government had to come to the aid of the Bank of New Zealand, and in war-time, as a war measure, it guaranteed the notes of all the banks.* [Italics inserted—W.H.W.] The whole history of the world shows that in times of stress the banks have had to rely on the people, through the Governments giving them protection. That is the secret of the whole position. If in times of stress, then why not at other times; and why should not the Government, through such an organization as has been suggested, take the issue of notes to themselves? It is done in Australia, it is done in England, and it should be done

here. The handling of the Dominion's output of produce should not be entrusted to institutions that exist for profit. Such institutions are tempted to take the funds they handle and use them for investment at Home. We have an illustration of that where the Bank of New Zealand shows a profit of £148,112 as surplus on the realization of British securities. The question is, How much of this Dominion's money was used in England to enable the bank to make that profit? Such a transaction undoubtedly deprived this Dominion of the use of the capital, of which a considerable amount must have been used by the bank. The meat pool and the dairy pool, if they function properly, could carry out the marketing of the produce,* and act in conjunction with the clearing-house, in some way under the authorities.† In other words, the pools could be utilized to check the exchange system. The country's produce is a better medium than gold, because it is useful at both ends. . . .

Mr. F. LYE (Waikato): . . . . I have for a long time considered, in common with many others, that the banking system of this country should undergo a very drastic change. It is worth remarking that in other parts of the world we find that credit facilities are established not only for the benefit of farmers, but for the benefit of all—the small business organizations as well. How long are we to allow this Government to go on bolstering up trusts and combines, which some of their own members have spoken of, particularly the member for Waitaki, when he told us the banks were "getting away with the swag"? *I have here a table of the profit made by the Bank of New Zealand, which shows that in 1919—the boom year—when the banks were lending money, the profits were £459,221, and in 1921, when credits were frozen and bankruptcy caused hundreds of farmers and others to go out of business, the bank made £827,256 profit, nearly twice as much as the year 1919, out of the misfortunes of the people.** [Italics inserted—W.H.W.] This was good business for shareholders in the bank, but bad business for dairy-farmers,

* *Cf.* App. 5 II., p. 89. † *Cf.* Famous case of building Guernsey's market, Flürschein, p. 420.

who in many cases lost all they had. This year's profits were greater than ever. The table which I have quoted shows that it was certainly good business for the shareholders, and very bad business for the farmers, who in many cases lost all they had. The tremendous profit which I have referred to has been returned to the bank shareholders. This statement goes to show that a man who invested £2,000 in the bank in the year 1916 has a capital to-day of no less a sum than £11,755, yielded from an original investment of £2,000. The dividends received in eight years are as follows:—

	£	£
Original investment		2,000
Dividends received in eight years ...	2,775	
Market value of shares	7,500	
Right to new shares saleable for ...	1,500	
Profit to investor in eight years		9,775
	£11,775	£11,775

This investor with £2,000 is able, through the monopoly with the other associated banks, to make such abnormal profits that the total capital invested is returned every five years. That's better than farming.

There is no question about it, when one comes to investigate, as I have done, it is clear that the people are being steadily exploited by the existing banking system of this country. The banks are undoubtedly using the producer's credit and lending it out to him again at an extortionate rate of interest—at 6½ per cent. and 7 per cent. in some instances. When we come to remember that there is a note issue in New Zealand of £6,000,000, with coin in reserve of about £7,000,000, and £94,000,000 on fixed and free deposit, we can easily see that the banks are practically carrying on by means of the credits created by the industry of the people. Whilst they are using those credits they are not paying any interest to their clients for that money, but immediately the small business man or the producer overdraws his account he has to pay the bank rate of interest. I believe those who study financial questions, if

they have the interest of this country at heart, will give their attention to this question of banking. Something should certainly be done to prevent the exploitation of the people by the banking system obtaining in this country.

New Zealand Parl. Debates,
July, 1924, pp. 334-357.

III. GERMANY'S FINANCIAL POWER.

The forty years of Germany's military preparations were accompanied by industrial developments of an equally amazing character. Nothing in the world's industrial history can compare with the astounding progress made by the German industrialists from 1874 to 1914. Equally amazing was the growth of their banking system, which extended its networks all over the globe. Soon after the Franco-German War, Bismarck—under the advice of that far-seeing financier, Baron Bleichroder, who was associated with the Rothschilds—placed Germany upon the so-called gold basis. Possessing but comparatively little gold, the German bankers schemed and succeeded in utilizing England's gold-credits for building up German industries, which were intended and designed to out-rival and finally destroy those of Great Britain and her Colonies.*

The one aim of German trade policies has been to make the world dependent upon German manufactures. German bankers were established in all the world's financial centres—especially in London and New York—whose business it was to employ foreign credit on behalf of Germany. London, with its Free-Trade, free-gold markets, became one of the greatest factors in Germany's success. The present spectacle of London bankers offering British credit "to put Germany on her feet," whilst England is on her back through their contraction of credit facilities to British traders and manufacturers, is not novel. It has been the policy of London bankers to assist England's foreign rivals ever since the Bank of England—a private trading company—was granted the supreme privilege of controlling the money supplies of this country. German bankers found that

* *Cf.* Bagehot, *Lombard Street*, pp. 291-9, ed. by Mr. H. Withers.

by offering 1 per cent. above the normal bank rate they could substitute British credit for their own, and thus save the expense of having to maintain any excessive gold reserves. Not only so, but they found that by the simple plan of endorsing German trade bills, they could secure long-time credits in the London money market for their own people which no London banker would ever grant to a British merchant or manufacturer. For example, a German merchant would draw a bill on his customer in Russia or elsewhere, payable in one, two, or even three years after date. This would be accepted by the customer, endorsed by the merchant, and sent to one of the Berlin banks. The Berlin banker would then endorse it and send it to London for discount. In this way many German merchants had no difficulty in ousting British merchants from many foreign fields by offering superior credit terms. To what extent Germany has been assisted with British credit in her efforts to outstrip England in the race for foreign markets may be seen by the number of German discount firms established in the heart of London. One looks through the list for some time without finding a single English name.

Germany's rulers soon realized that Germany's industrial supremacy could only be accomplished by making their banking system the *associate* of industrialism. Bismarck was intelligent enough to know that a nation's wealth depends upon production—upon agriculture and manufacture—and not upon money-lending. He and his successors were quite willing to let London remain the money market of the world so long as British credit was available. . . .

Mr. Henry Ford has told us how he came to regard Finance as the world's real source of danger. During the voyage of his famous Peace Ship, two of his guests—well-known members of the Jewish fraternity—disclosed to him the fact that the war was the result of a financial conspiracy for the enslavement of the world, and that peace could only be restored after the financiers were satisfied. On his return to America Mr. Ford started an

investigation, which confirmed the opinions expressed by his two guests, and resulted in his publishing a series of pamphlets showing how completely German-Jewish financiers were allowed to dominate American industries, trade, and politics, not only during the war, but since.

Some few years prior to the war there arrived in New York a German-Jew named Paul M. Warburg, who was connected with one of the largest German banking houses. At that time a determined attempt was being made by certain Wall Street bankers with the aid of their friends in congress, to enact a law which would concentrate the entire banking interests of America under one roof and allow a single Board of Directors to dominate the political and industrial life of the United States. This Bill (which was known as the Aldrich Bill) was under discussion when this German banker arrived. He was immediately invited to join the group who were engaged in drafting the Bill, and it was he who finally put the Bill into shape and added the finishing touches. It will no doubt surprise the average reader to learn that a foreigner was permitted to dictate one of the most important measures it is possible to conceive, affecting the lives and fortunes of every member of the American public, at the express invitation of the American financiers themselves. The final presentation of this Bill aroused a storm of indignation. The American people had already had their experience with centralized banking in the early days of the Republic. The President of the Philadelphia Central Bank once threatened President Andrew Jackson that he would prevent him from being elected a second term for the Presidency if he interfered with the renewal of the Bank's Charter, which was about to expire. Jackson's reply was that if he dared to attempt to carry out his threat he would "hang him as high as Haman." Jackson succeeded in breaking the power of this monopoly, to the great delight of the American people. The founders of the American Government always regarded centralized banking with suspicion. Jefferson and Jackson were both opposed to the creation of the first and second banks of the United States, because "it gave such banks

the power to control the volume of money and credit and thereby to regulate prices and wages." It also gave the banks great political power. In 1838 Senator Thomas H. Benton said:

"The Government itself ceases to be independent; it ceases to be safe when the national currency is at the will of a company . . . The people are not safe when such a company has such a power. The temptation is too great, the opportunity too easy, to put up and put down prices; to make and break fortunes; to bring the whole community upon its knees to the Neptunes who preside over the flux and reflux of paper. All property is at their mercy. The price of real estate, of every growing crop, of every staple article in the market, is at their command. Stocks are their playthings—their gambling theatre, on which they gamble daily with as little secrecy and as little morality, and far more mischief to fortunes, than common gamblers carry on their operations . . . ."

In 1911 the same German banker who had superintended the drafting of the Aldrich Bill became naturalized as an American citizen, and in spite of his connection with the Aldrich Bill he was actually appointed by President Wilson as the first Deputy-Governor of the Federal Reserve System, and is to-day Chairman of the Federal Advisory Council. We have it on the authority of Professor Seligmann, of Columbia University, that it was he who really created the Federal Reserve Bill, which is now the American Banking System. The following is the official report of the United States Naval Secret Service (December 12th, 1918) on Mr. Paul M. Warburg:

Warburg, Paul, New York City, German; was naturalized an American citizen 1911, was decorated 1912 by the Kaiser, was Vice-Chairman of United States Federal Reserve Board; is a wealthy and influential banker; handled large sums furnished by Germany for Lenin and Trotsky; subject has a brother who is leader of the espionage system (of Germany).

As is well known, Mr. Warburg is a member of the banking firm of Kuhn, Loeb & Co., of New York and Berlin, and married the sister-in-law of the late Jacob Schiff, who was head of the same firm and who is credited with having financed Japan during the war with Russia for the purpose of endeavouring to destroy Russia as punishment for her treatment of the Jews. Warburg has

two brothers connected also with the same firm, one of whom resides in Germany and the other in the United states. Another well-known member of this firm is Mr. Otto Kahn, who has recently become a British citizen after having been a Prussian and then an American citizen. The *Manufacturers' Record* of Baltimore, U.S.A., stated in its issue of April 6th, 1922:

His (Paul M. Warburg's) brothers' firm of Warburg Brothers was largely identified with the financing of Germany during the war, and Mr. Warburg was a member of the firm of Kuhn, Loeb & Co.,† which, prior to the war, represented the leading financial interests of Germany. If Emperor William in his far-seeing campaign had been aiming financially, physically, and diplomatically to break down America, he could not have done a smarter thing than to secure the appointment of Mr. Warburg as a member of the Federal Reserve System and to shape its initial policy.

This question cannot be waved aside as being utterly unworthy and unwarranted and as mere suspicions. The German industrialists have profited even more than the international brigands of London and New York by the British-American deflation programme, which has made the British and American money so dear that other countries cannot buy their surplus products. They have pursued the reverse course in Germany, which has given them the monopoly of the markets of the world. The German industrialists caused the German Government (which they are reputed to control) to cheapen their money far beyond other countries, which enables them to produce with cheap money and cheap labour and sell for dear money . . Hugo Stinnes and his co-conspirators are now reputed to be by far the richest men on earth. They have made their enormous wealth by the manipulation of money and by the assistance of the Money Trust. It is admitted that the collapse of Russia prolonged the war for at least two years. According to the American report, Paul Warburg was one of Germany's agents in bringing about this collapse.

It is said that the members of this same firm exercised great influence at the Versailles Peace Conference in all financial negotiations, and that its representatives appeared both on behalf of the Allies and on behalf of Germany.*

Mr. A. Kitson, "*Germany's Peace Plot*,"
National Review, Nov., 1924.

* Melchior, one of the principal financial advisers to the German Government, is brother-in-law of one of the Warburg brothers. † *Cf.* p. 248

IV. Germany and International Finance.

Cette nouvelle société—*l'International Crediet Cy*—comprend dans ses fondateurs, outre la Banque Mendelssohn de Berlin et le groupe hollandais qui avait déjà créé la Netherland Acceptance Cy, la Deutschbank, la Dresdnerbank et la Disconto Gesellschaft. La Scandanaviska Creditaktiebolaget, de Stockholm, y représente la finance scandinave: la Swiss Banking corporation, la finance suisse: Kleinwort et Cy et la Westminster Bank Ltd. de Londres, la finance anglaise: soit au total onze banques participantes. Le capital est de 20 millions de florins, dont 11 millions versés.

Presque en même temps, vers la fin de janvier 1924, avait été fondé un autre groupe: *L'International Bank d'Amsterdam*, au capital de 10 millions de florins entièrement versés. Les banques participantes à cette fondation sont: l'Amsterdamsche Bank, la Twentsche Bank, la Banque Lippmann, Rosenthal et Cie, la Banque Mees et Zoonen, pour la finance néerlandaise: la Lloyds Bank, la Banque Lazard Brothers et Cy, la Whitehall Trust Ltd. (*vide supra* App. 9 I.—W.H.W.) pour la finance anglaise: l'Union de banques suisses, l'Union financiere de Geneve, la Banque Ferrier, Lullin et Cie pour la finance Suisse: enfin, la Darmstädter und National Bank pour la finance allemande.

Signalons encore . . . . *la Banque Van Behrens et fils*, qui travaille en liaison étroite avec les places de Hambourg, Rotterdam et la Haye et qui est entièrement aux mains de banques anglaises et allemandes.

La Wollbank est de création recente. Elle a pris la suite de la *Wollfinanzierungs Maatschappij*, qui avait été fondé par la Rotterdamsche Bankvereeniging et de grandes firmes intéressées dans le commerce de la laine . . . . Parmi (ses) associés étrangers, on remarque la Banque Mendelssohn de Berlin: d'autre part, l'organisation est en relations étroites avec de grandes maisons de banque anglaises, parmi lesquelles la maison Rothschild de Londres et Baring Bros.

Tout récemment, sous la direction de l'*International Acceptance Bank* de New-York et avec la concours de la

Banque Kuhn Loeb et Cie (*vide supra* App. 8 III.) a été créée, aux États-Unis, l'*American and Continental Corporation*, au capital de 10 millions de dollars. Le but de cette nouvelle Institution est " de faire participer les capiteaux américains à la reconstruction de l'Europe et, en particulier, d'alimenter en fonds de roulement l'industrie Allemande."

L'*American and Continental Corporation* a provoqué a cet effet, en Allemagne, la constitution d'un groupe financier chargé de realiser et de controler les credits. Ce groupe comprend la Deutsche Bank, la Banque Levy de Cologne, la Maison Oppenheim jung et Cie, la Banque Warburg et Cie de Hamburg (*vide supra* App. 9 III.).

M. JULES DECAMPS, *Capitaux Etrangers pour l'Allemagne*, *Revue de Paris*, Nov. 1924.

V. MID-EUROPEAN CORPORATION.

Formed in June this year for the purpose of investing its funds in Central Europe, in order to benefit by the high rates of interest and the general want of capital on the Continent, the Mid-European Corporation, Limited, has employed the £400,000 of capital privately subscribed in making advances to various Continental undertakings of good standing.

Options over blocks of shares which should prove of great value in improving Continental conditions have been acquired in connection with the advances. In order to deal with the business now offered by first-class concerns on the Continent, the directors of the Corporation have decided to increase the capital to £1,000,000, and 60,000 new shares of £10 each are to be offered for public subscription at £10 10s. each through Hambro's Bank, Limited.

Under a strong directorate, with Mr. H. C. Hambro at its head, the Corporation is in close co-operation with well-known banks and bankers abroad.

Daily News, Nov. 7th, 1924.

Bankers:—Hambro's Bank and British Trade Corporation, both of which are connected with Bank of England (*q.v.*). Connected also with L. Behrens & Sons in Hamburg (*cf.* Appendix 9 IV.), Niederorsterreichische Escompte, Gesellschaft in Vienna, Comptoir d'Escompte de Geneve, and Pester Ungarische Commercial Bank, Budapest.

VI. Interest. (*Vide supra*, p. 70.)

It has often been shown that a penny invested in the time of Christ at 5 per cent. compound interest reaches a sum exceeding the value of a globe, as large as our earth, made of solid gold (p. 49).

It is related that Napoleon Buonaparte, when shown an interest table, said, after some reflection: "The deadly facts herein revealed lead me to wonder that this monster Interest has not devoured the whole human race."

Flürscheim, *Clue to Economic Labyrinth*, p. 334.

VII.

As this is going through the press, the return of a moderate Conservative Government in this country and of a Republican President in the U.S.A. has encouraged an obvious and natural expansion of bankers' credits. We are, therefore, back again at the cheap and aged optimisms of the last four years that "we are on the eve of a boom in trade," "the tide has turned," etc., etc. In other words, "jam" yesterday and "jam" to-morrow, but never "jam" to-day: on the contrary, scarcely bread. Financial journalists, with but few exceptions, are propaganding for the next offensive. At home, the policy of "hard work" may be expected to bear fruit in cutting down the workers' wages to meet competition for the undoubtedly increased Continental market as the result of the Dawes "stabilization" of captive Germany. Abroad, it seems clear that France is marked down as the next victim of the Morgan Pool, inasmuch as Great Britain and Germany have been "put upon a sound footing." France will be probably

"invited" to balance her budgets and ourselves employed to demand some arrangements for the paying of her debts to ourselves. Not one of these measures, of course, will tackle the real difficulty, and while many people will think that now we have only to "settle down to hard work and realities," there is danger that general discontent may be driven into underground channels. Neither of the opposition parties has a policy, any more than the Conservatives, but the Labour Party, realizing how its leaders have utterly failed to come to grips with the situation, are likely to accept the leadership of extremists who, at any rate, have sufficient backbone in them to prefer to die fighting rather than starving. And yet even their demise would not solve a mere fallacy in book-keeping.

APPENDIX No. 10.

PRODUCTION.

No engineer would dispute the statement that the problem of Production, broadly speaking, does not exist. For the benefit of the more general reader, however, the following additional data on the subject may be of some interest. They are selected almost haphazard—such is their embarrassment in quantity.

An American efficiency expert stated not long since that, taking the productive facilities of the U.S.A. as a whole, including skilled and ordinary labour, machinery, tools, etc., *the quantity of goods produced in a given time did not represent more than 5 per cent. of their industrial efficiency!* (in other words Production was less than $\frac{1}{20}$th of its possibilities).

A. KITSON, *Unemployment*, p. 26.

The steel plants and the shoe industries of the U.S.A. can produce twice as much as the country can consume.

(N.Y. corresponded, *Manchester Guardian*),
cited by *New Age*, Sept., 1924.

Quarry gangs in Kent cement industry are being replaced by steam navvies, one of these doing the work of 150 men.

New Age, Oct. 16th, 1924.

Electric Power Production in Millions of Kilowatt-hours.

	1907.	1922.	Increase.
U.S.A.	5,862	52,275	890 per cent.
Britain	713	3,040	328 ,, ,,
Italy	1,097	4,050	314 ,, ,,

America and Italy use 34 per cent. of plant capacity.
Britain uses 17 per cent. of plant capacity.

F. H. Auger, *New Age*, Oct 2nd, 1924.

By the new process of crop-drying (*i.e.*, by artificial means through electric fans), the cost of converting grass into hay was 33 per cent. less than by natural methods. As fodder the hay contained 56 lbs. nutritive matter as against 20 to 36 lbs. under the old conditions. In case of corn, the gain is equally substantial. It is noteworthy that the originator of this is a Mr. Borlase Matthews, an electrical engineer with a 600 acre farm. He has a mill-pool generator working from an 8-foot fall, and carries his power a mile across the fields, the current being tapped at any point for tractor, stacking and other machinery.

W. K. Midgley, *Daily News*, Sept. 9th and Oct. 18th, 1924.

Twenty years ago an Austrian sociologist, Dr. Theodor Hertzka, made elaborate calculations as to the labour power —in addition to machinery—requisite to provide a population of 22,000,000 with all its necessities. He calculated that its 5,000,000 men need only work 1 hour 2½ minutes a day for 300 days in the year. To produce their luxuries in addition, they would require 2 hours and 12 minutes for 60 days. In other words, allowing for mechanical progress in Western Civilization since 1900, we may take it that 2 hours' work a day would suffice for all our economic necessities: the remainder of the time could be spent in cultural pursuits, and, no doubt, theological disputes as to "the chief end of Man."

In India 1 handspinner completes 1 hank of cotton a day.

In England 1 mechanic, with the mule, completes 3,264 in a day.

30 men now do more than the whole industry 150 years ago.

A hundred years ago 1 man could cut and bind ¼ acre grain.

To-day 1 man with machinery cuts, binds, threshes and sacks 50 acres in the same time.

A girl can weave enough calico in 1 year for 10,000 people.

50 boys with machinery produce 5,000 pairs socks.

50,000 men necessary for same task on hand-power.

40 gross of buttons took 6 men 115 hours.

By machinery, same amount accomplished in 21 hours.

1,000 axle clips by hand took 2 men 666 hours.

1,000 axle clips by machinery took 2 men 110 hours.

10,000 magazines once published in 170 hours now take 14.

500 lbs. butter cut down from 125 to 12 hours in manufacture.

450 pairs boots soled in 1 day by a McKay machine; 5 or 6 the limit before by workman.

Athens in her palmiest days had 6 slaves for every freeman.

Sir Frederick Bramwell estimates that engine of Atlantic liner is equal to 117,000 rowers.

Mulhall calculates that steam power in use in 1899 equalled 55,580,000 horses.

Leone Levy stated that the self-acting mules in England are equal to 100,000,000 men.

FLÜRSCHEIM, *Clue to Economic Labyrinth*,
pp. 6-9 (published c. 1900).

A large Atlantic liner with coal-fired boilers required engine staff of 383-403 men. Converted to oil, the staff was reduced to 203, *i.e.*, an economy of 50 per cent. in the personnel. This would allow 150 extra passengers, more

cargo space and increase in thermal efficiency. Fuelling becomes much easier, shorter and less frequent, while speed is increased and an extra voyage or two is possible in year.

1914	oil-power tonnage	1,310,209	1914	motor tonnage	234,287
1924	,, ,,	17,154,072	1924	,, ,,	1,975,798

Apart, however, from artisans, under present conditions, thus losing their "jobs" and title to subsistence, this means we are getting fewer skilled "tradesmen" in general industry. Hence recent difficulty of R.A.F. in finding such men, who are vital in War.

APPENDIX No. 11.

Canada and U.S.A.

The following letter, signed "A Canadian Reader," appeared in the *Newcastle Daily Chronicle* of July 26th:—

Sir,—I notice Professor C. Delisle Burns, of London University, has created some stir in the Press by announcing that large quantities of poison gases were being made by U.S.A. during the Washington Conference. Just why this statement should cause any fluttering is beyond me. Every person on this Continent knows all about it. Our Government has made no secret of the matter. Brigadier-General Amos A. Fries, Chief of Chemical Warfare Service, has at frequent intervals told us, through the medium of the Press, exactly what has been done by his staff at Edgewood Arsenal, Maryland. At the Hague Conference of 1899, the United States of America, through its representative, the late Admiral Mahan, refused to agree to the prohibition of gas warfare. At the Washington Conference, Mr. Charles E. Hughes, U.S. Secretary of State, proposed the abolition of chemical warfare. The proposal was not ratified by all the Governments represented, and therefore is inoperative.

Secretary Hughes has pointed out clearly that a party in power may sign a treaty, but its successor in office is not bound by that treaty.

The situation in respect to chemical warfare is further complicated by the action of the League of Nations in

endorsing the use of gas and chemicals as permissible weapons in war. Last November the special committee appointed by the League reported this form of warfare to be humane and recommended certain types of apparatus for nations to accept or reject. Do the people of Britain understand all this? Frankly speaking, they do not, and the fault is almost entirely due to the attitude of the British Press. At the time of the Washington Conference this was the type of eyewash to be read daily in the British Press. "What a vision of brotherhood and mutual understanding! Canada and the U.S.A., whose frontier stretches 3,000 miles from the broad Atlantic to the vast Pacific, with never a gun or soldier across the whole domain." What bunkum, and what blatherskite!

In view of the fact that two and a half billions of American dollars are invested in Canada, thereby placing financial control of Canada almost in American hands, one would scarcely expect to find steel cupolaed fortresses along the border. However, at strategic points along the border there are strong posts of the United States military forces. At the time of the Washington Conference additional troops were posted to the border posts. Regiments of the National Guard Artillery were equipped with motor-drawn cannon, and training camps of the Guard were in many places located within rifle shot of the border. The U.S. Naval Militia has units at every port on the Great Lakes, and the training vessels sail those waters without hindrance. What it all meant and still means puzzles me, but politicians dispose of armies and navies; and politicians are puzzling creatures. Doubtless, some politician thought that a military display would scare the Canadians, and that in turn would scare Britain; and the United States would have the Conference hammer-locked.

Perhaps some reader will consult the map, and then explain why Buffalo, N.Y. (as far from Canada as Gateshead is from Newcastle*), in addition to the regular army at Fort Porter, boasts the two largest armouries in the world.

New Age, Aug. 14th, 1924.

* *i.e.*, The width of the river Tyne, a hundred yards.

APPENDIX No. 12.

The Future of Great Britain.

"The American banker, Mr. Frank Vanderlip (in *What next in Europe?*), gave recently a graphic picture of the economic future of this country (Great Britain). This is the gist of what he said. It amounted to a virtual death sentence for British trade and industry.

"Europe is gradually settling down into a group of twenty or more predominantly agricultural and self-supporting states. These states will not be able to afford purchases abroad on the pre-war scale; they will take fewer manufactured goods, fewer raw materials, and fewer foodstuffs from Great Britain, from the Dominions and from the outside world. The Dominions, South America, and the Far East will consequently sell less and buy less; they will meet their own needs for manufactured goods partly by cheap imports from Europe and partly from their own industries, which are growing up every year. Great Britain will become a fifth wheel to the coach, an unnecessary cog in the machine; or at least her predominance as the world's workshop and banking centre, to which she owed her prosperity in the nineteenth century, will be destroyed.

"This may mean that between 10 and 20 per cent. of our population will have to emigrate or starve. That is the considered prophecy of an international financier who looks beneath the surface of things to the hidden economic forces which are inexorably remoulding the channels of trade and production."

(*Stabilization*, 1923, E. M. H. Lloyd, p. 15.)

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[Section A. contains a suggested list of books which might form the easiest approach to the ideas of Major Douglas. Accordingly they have been arranged in an order of convenience for reading. Section B. is more general, those books asterisked being of particular reference.]

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